Newfoundland
Labrador

Department of Natural Resources
Annual Performance Report

April 1, 2007 to March 31, 2008

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Message from the Minister

Speaker of the House of Assembly

Dear Mr. Speaker:

In accordance with the *Transparency and Accountability Act*, I hereby submit the 2007/08 Annual Performance Report for the Department of Natural Resources. The Report has separate sections for the Mines and Energy Branches and the Forestry and Agrifoods Agency.

The outcomes reported reflect government's strategic direction for the province's natural resources. My signature below is indicative of my accountability for the actual results.

Sincerely,

Kathy Dunderdale

KATHY DUNDERDALE
Minister
Natural Resources

Newfoundland
Labrador

Department of Natural Resources
Mines and Energy Branches
Annual Report

April 1, 2007 to March 31, 2008

Overview

The Department of Natural Resources was established under the *Executive Council Act* and is a category one government entity under the *Transparency and Accountability Act*. The Department's responsibilities for natural resource development in the mining and energy sectors are provided through two branches.

The **Mines Branch** is responsible for assessing, promoting, developing and managing the province's mineral resources to maximize the contribution of this sector to the economic well-being of the province.

The **Energy Branch** is responsible for promoting and facilitating the effective and efficient management of the province's wind, hydro, electricity and petroleum resources from assessment through to development and production. Negotiation and monitoring of benefits to the local economy is central to the Branch's role. Branch activities also include ministerial accountability for the Energy Corporation of Newfoundland and Labrador (including Newfoundland and Labrador Hydro Group of Companies) and the Canada-Newfoundland and Labrador Offshore Petroleum Board.

Number of Employees

As of March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, had 117[1] staff on payroll.

Branch	Female	Male	Total
Mines	19	55	74
Energy	18	25	43
Total	37	80	117

[1] Does not include 5 employees in communications and ministerial support and 49 employees with corporate services shared with other departments

Physical Location

The main offices of the Department of Natural Resources, Mines and Energy Branches, are in one location:

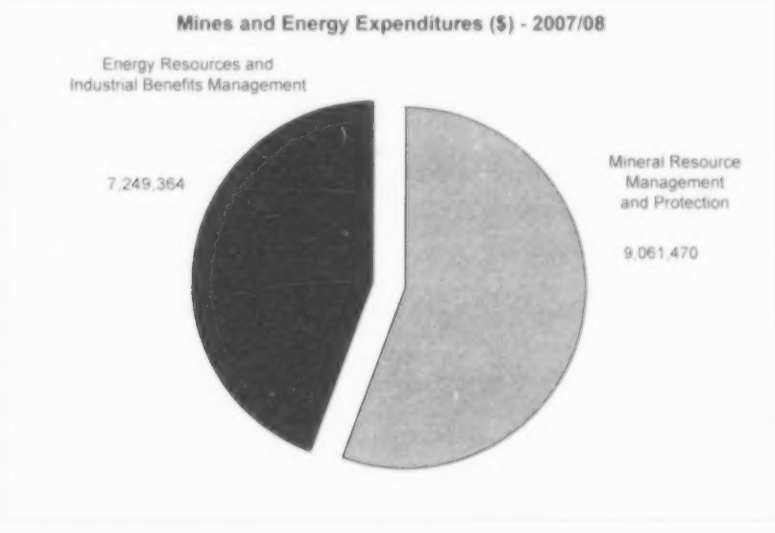
Natural Resources Building
50 Elizabeth Avenue
P.O. Box 8700
St. John's, NL
A1B 4J6

Website

The Department of Natural Resources website, including the Mines and Energy Branch components, is located at http://www.gov.nl.ca/nr.

Budget

Expenditures for the Mines and Energy Branches in fiscal year 2007/08 totalled $16.3 million. This figure does not include $6.3 million related to executive and support services which are shared with the Forestry and Agrifoods Agency. See Appendix I for additional details.


Mines and Energy Expenditures ($) - 2007/08
Energy Resources and Industrial Benefits Management
7,249,364
Mineral Resource Management and Protection
9,061,470

Industry Context

The Mines and Energy Branches provide key supports to the mines and energy sectors in the province through a wide range of programs, and effective administration of the governing legislative, regulatory and policy framework.

The mines and energy sectors are important contributors to GDP and employment. As indicated in Figure 1, the sectors experienced substantive and continual growth from 2001 to 2006 (2007 data not available), as measured by nominal GDP. Employment from 2001 to 2006 ranged from 6,700 in 2001 to 8,600 in 2006 and averaged 7,800. In 2006, the mines and energy sectors accounted for $9.4 billion of the province's GDP. The oil and gas industry is responsible for the largest share of GDP, followed by the mining and electrical utility industries.

Resource-based industries are significant sources of revenue for the provincial treasury. As indicated in Figure 2, royalties from offshore oil production are estimated to reach $1.7 billion in 2008/09. Significant revenue is generated by our mineral resources as well, with revenue from mining taxes and royalties estimated to total $259 million for the same period. Combined, the mines and energy sectors are now the largest source of revenue for the province.

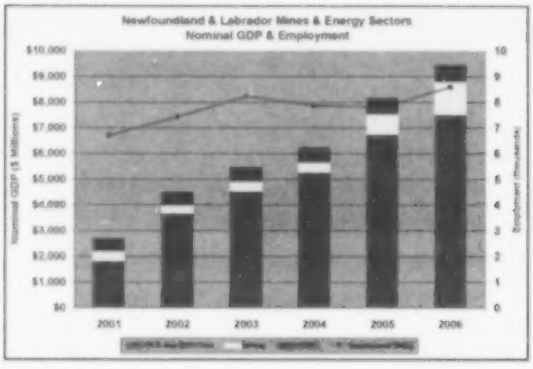


Figure 1.

NOTE: Employment information in the chart above does not distinguish employment attributed to direct and indirect sources and there may be additional related indirect employment that has not been captured in this information.

SOURCE: NL Department of Finance

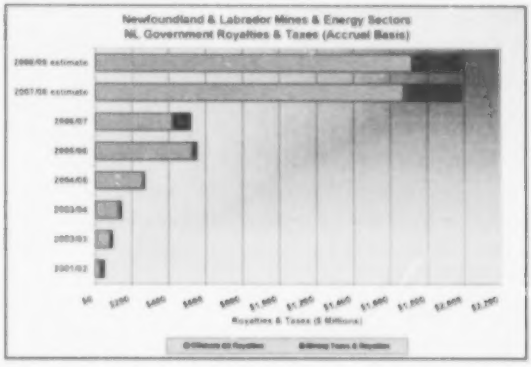


Figure 2.

NOTE: The 2007/08 and 2008/09 NL government royalties and taxes information in the chart above are estimates and subject to revision.

SOURCE: NL Department of Finance

Over the next several years, the mines and energy sectors are expected to grow and diversify. There are a number of major developments on the horizon including the Lower Churchill Project in Labrador and associated transmission, expansion of offshore oil and gas fields, development of the Hebron project, the development of wind and other renewable energy projects throughout the province, and potential development of a second refinery and a liquefied natural gas transshipment facility. Two new mines (Pine Cove and Beaver Brook) are scheduled to open in 2008 and a number of other deposits are in advanced stages of exploration. The iron ore industry in Labrador West is also undergoing major expansion and the Voisey's Bay nickel processing plant will start construction in the near future. Mineral and oil exploration is also expected to continue at a rapid pace.

Vision

The vision of the Department of Natural Resources, Mines and Energy Branches, is of a Province that is realizing the full benefit from the use of its mineral and energy resources in a sustainable manner.

Mission Statement

By March 31, 2011, the Department of Natural Resources, Mines and Energy Branches, will have identified and facilitated further opportunities for resource development and optimized the benefits received from these resources.

The mission statement was taken from the Department of Natural Resources, Mines and Energy Branches, Strategic Plan for April 1, 2006 to March 31, 2008. The entire mission statement, including indicators of how the Mines and Energy Branches will measure success in achieving the mission, has since been revised. The new mission and indicators were developed to more closely align with policy directions of government outlined in the *Energy Plan*, and the mandate

of the Minister of Natural Resources for the mines and energy sectors. While not specifically referenced, progress toward achievement of the old indicators and mission statement is reflected in the "Outcomes of Objectives" section. A report on the new mission statement and indicators will be included in the Branches' Annual Report for April 1, 2010 to March 31, 2011. This mission statement can be obtained from the Mines and Energy component of the Department of Natural Resources Strategic Plan for April 1, 2008 to March 31, 2011 which is available at www.nr.gov.nl.ca/nr.

Lines of Business

Resource Policy

Working closely with key stakeholders, the Mines and Energy Branches develop resource policy, and coordinate and facilitate sustainable development and management. Based on these frameworks, the Mines and Energy Branches directly and indirectly develop, monitor and/or initiate supporting regulatory and benefits optimization activities.

Resource Management

In the on-shore area of the province, the Mines and Energy Branches are responsible for ensuring industries follow appropriate resource management practices and comply with mines and energy regulations. The Branches facilitate well-planned, responsible resource management activities and are responsible for monitoring almost all aspects of these activities. Mineral and petroleum resource management activities also include title allocation, administration and ensuring compliance with site development and rehabilitation requirements.

In the offshore area, the Energy Branch discharges its operational management and administration functions for offshore petroleum activity under a federal-provincial joint regime administered by the Canada-Newfoundland and Labrador Offshore Petroleum Board.

In the electricity resource area, involvement in resource management is indirect and implemented through the Public Utilities Board and Newfoundland and Labrador Hydro.

Through the Energy Branch, the Department is also responsible for petroleum royalty development and administration of onshore and offshore petroleum royalties.

Resource Exploration and Assessment

This includes all those activities that precede resource development, including the gathering, interpretation and dissemination of geoscience data and the provision of exploration incentives. The activities of the Mines and Energy Branches in this area are designed to support and encourage exploration, investment decisions, permitting and development opportunities.

Promotion and Facilitation of Resource Development

Resource development builds on exploration and resource assessment. Resource development projects generally tend to be long term and capital intensive and as such generate significant economic and employment benefits. These projects can be important catalysts, particularly for rural area growth as well as industrial infrastructure and supply and service capabilities. Activities are specifically directed to promoting and facilitating well-planned, responsible mineral and energy development and their associated business and employment opportunities.

Shared Commitments

The Department of Natural Resources, Mines and Energy Branches, has legislative oversight for the following public bodies: Energy Corporation of Newfoundland and Labrador, and its subsidiaries, including Newfoundland and Labrador Hydro; Bull Arm Site Corporation; and the Mineral Rights Adjudication Board.

The Department's Energy Branch also shares jurisdiction over offshore petroleum resources with the federal government and participates in its management through the Canada-Newfoundland and Labrador Offshore Petroleum Board.

The Branches work closely with each of these public bodies toward fulfillment of the strategic directions of the Minister of Natural Resources. Full details can be found in the applicable strategic, business or activity plan which can be viewed at www.nr.gov.nl.ca/nr.

Highlights and Accomplishments

In addition to the work toward outcomes associated with the strategic issues for the planning period outlined in the "Outcomes of Objectives" section, the Mines and Energy Branches achieved key accomplishments in a number of areas.

ENERGY

Energy Plan Released
A major achievement in 2007/08 was the release of the province's first-ever, comprehensive *Energy Plan – Focusing Our Energy* – which charts a clear course for developing our energy resources for decades to come, and provides regulatory and fiscal clarity for the energy industry.

The *Energy Plan* is built on the principle of sustainability, meaning that resource developments will benefit current and future generations. At the heart of the *Energy Plan* is a strategy to reinvest a portion of the earnings from the province's non-renewable resources into a renewable resource future, including development of the Lower Churchill hydro project. The Energy Branch is well on the way towards implementing the major elements of the Plan, and this work will be the primary focus of the Branch in 2008/09.

Intergovernmental Initiatives
In addition to developing the provincial *Energy Plan*, Newfoundland and Labrador also took the lead in developing the Council of the Federation pan-Canadian Energy Strategy – *A Shared Vision for Energy in Canada*, an initiative chaired by the Premier. Released in August 2007, this strategy outlines seven areas of action for provinces and territories aimed at ensuring a secure energy supply, improving transmission capacity, and improving energy efficiency.

Full Partners in Resource Developments
We also made great strides in becoming full partners in resource developments. In the past year, the province reached a Memorandum of Understanding (MOU) on developing the Hebron Oil Project and finalized an agreement to develop the White Rose expansion projects. The Hebron

project MOU stipulates: a commitment for the province to purchase a 4.9 per cent equity stake in the project; an improved royalty regime that will see an additional 6.5 per cent royalty paid on net revenues whenever monthly average oil prices exceed $50 (US) WTI per barrel after net royalty payout occurs; and significant additional commitments.

To manage equity investments and facilitate an expanded energy mandate, this past year the province created the provincial Energy Corporation. By enacting new legislation, and amending other acts, the province has ensured that the Energy Corporation can operate in the same manner as any other major, publicly owned energy company.

Increased Exploration and Development

This past year also saw increased onshore and offshore petroleum exploration and development. In May 2007, the C-NLOPB issued a Call for Bids for offshore Labrador, as well as a Call for Bids for Western Newfoundland. The Labrador call signals the return to a basin that has not seen exploration drilling in over 20 years. The Western Newfoundland Call for Bids led to a bid of over $1.5 million for one parcel, with the Labrador Call closing on September 10, 2008. In our onshore areas, we have been working with companies to increase the level of exploration and drilling. Planning for geoscience initiatives with the Energy Corporation continues for both the onshore and offshore sectors as does industry consultations to enhance exploration efforts.

Regulatory Efficiency and Effectiveness

The Energy Branch has also worked to increase the efficiency and effectiveness of the energy regulatory system. In addition to the ongoing government-wide Red Tape Reduction Initiative, the Branch is working to ensure a focus on strategic revision to the regulatory regime under the Department's mandate to ensure effective management of resources. For example, the Branch is working with provincial and federal counterparts through the Frontier and Offshore Regulatory Renewal Initiative to amalgamate and revise the Offshore Petroleum Drilling Regulations and the Newfoundland Offshore Area Petroleum Production and Conservation Regulations to include a goal oriented approach, which, when promulgated, will significantly reduce prescriptive regulatory requirements while continuing to ensure appropriate management.

Energy Efficiency and Conservation

Progress was also made towards increasing energy efficiency and conservation efforts. One of the actions outlined in the Energy Plan is to develop a comprehensive energy efficiency and conservation plan for the province. Work continued on this plan in 2007/08 towards a release in 2008/09. In November 2007, the province launched the Holiday Lightswitch program with Newfoundland and Labrador Hydro and Newfoundland Power, which saw the distribution of 10,000 sets of energy-efficient LED holiday lights to residents in participating municipalities in exchange for traditional outdoor holiday lights. This exchange will reduce electricity consumption by up to 410,000 kilowatt hours of electricity annually and reduce related greenhouse gas emissions by approximately 315 metric tonnes each year.

MINING

Record Year for Mining

Mining continues to expand, with the gross value of shipments reaching a record $3.9 billion in

2007. The Iron Ore Company of Canada has announced a major $500 million capital expansion program that will increase annual output from 18 to 22 million tonnes per year, and perhaps eventually to 25 million tonnes per year. Several new iron ore projects based on direct shipping ore are being developed in western Labrador. Two new mines (Pine Cove gold and Beaver Brook antimony) are anticipated to come into production in 2008 and an export stone quarry at Belloram is in the permitting stage. Other projects in advanced stages of exploration include the Rambler copper mine, underground resources at Voisey's Bay, and the Michelin-Jacques Lake uranium deposit. Collectively these have the potential to increase the provincial value of mineral production, but will also increase demands upon the Department with respect to the permitting process.

Provincial mineral exploration increased to a record $138 million for 2007 and is projected to remain at the same level for 2008. This has brought benefits in terms of potential mining developments but also management challenges in terms of increased demands on the exploration permitting system. These are being addressed through a new internet based exploration management system.

Progress on Inco Commercial Processing

Planning and design work continues to progress on the Vale Inco nickel processing plant to be built at Long Harbour with construction starting in the latter half of 2009. The Mines Branch has been actively involved in monitoring the progress of research and development work on the hydrometallurgical process which is the preferred choice for the plant, and on ensuring that plans meet the terms of the 2002 Development Agreement between the province and Vale Inco.

Geoscience Investments

Investment in minerals-related geoscience work received a major boost with the approval of a $1 million enhancement to the Geological Survey Division budget for field work. The Mines Branch also worked actively towards approval of the federal-provincial-territorial Geo-Mapping for Energy and Minerals project, providing $34 million over two years for northern geoscience work. The Branch is currently negotiating with Natural Resources Canada the specific projects in Newfoundland and Labrador that could be supported by this funding.

Enhanced Promotional Efforts

The Mines Branch has continued to increase its promotional efforts in aid of mineral exploration through an expanded range of venues, including a first time presence at China Mining and through an expanded presence at the world's premier exploration meeting – the Prospectors and Developers Association of Canada convention in Toronto.

Environmental Remediation

The Mines Branch has undertaken work related to the health and safety hazards resulting from historical mining operations. This year saw the initiation of a major project, funded at $10 million over three years, directed at the initial rehabilitation of the former Baie Verte asbestos and Rambler copper mines. Work in 2007/08 included selection of a project manager, removal of hazardous chemicals and the release of a phase III environmental site assessment report describing the levels of contamination at the two sites. Contracts have also been prepared for the removal of chemicals, petroleum tanks and abandoned buildings as part of a major demolition

program for 2008/09. Work will also include water quality studies, an air quality survey for airborne asbestos and a pit stability study of the former asbestos mine.

Outcomes of Objectives

This section of the Annual Report details the significant work undertaken and completed by the Mines and Energy Branches on its objectives for 2007/08, and progress toward achieving the goals of the 2006/08 Strategic Plan. It also provides an explanation for any variance between planned and actual results. The outcomes achieved by the Mines and Energy Branches with respect to their goals and objectives for the 2006/08 planning period are consistent with the Minister of Natural Resources strategic direction for that period – Sustainable Resource Development.

To further advance progress toward the strategic directions of Government, and to comply with the provisions of the Transparency and Accountability Act, the Department of Natural Resources has prepared and tabled in the House of Assembly a new Strategic Plan for the period April 1, 2008 to March 31, 2011. The applicable goals, objectives, measures and indicators for the upcoming fiscal year are contained in that Plan. It can be viewed at www.nr.gov.nl.ca/nr.

Issue 1: A Marketable Natural Resource Base

Working toward achievement of the strategic direction of the Minister of Natural Resources to efficiently and effectively manage natural resources to ensure their sustainable utilization and optimization of resulting benefits, requires that the Department generate and distribute high quality resource information. Meeting the needs of resource-based industries as they experience increasing growth improves the province's competitive position as a place to explore and develop. This activity is augmented by programs which focus on the marketing and promotion of our resource development potential to the local, national and international audience.

Objective

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased promotion of its mineral, energy and business services and supply resources.

Measure: Increased promotion

Progress 2007/08

Enhanced capacity to market products and services

The Department created the new Marketing and Promotions Division within the Energy Branch. The Division is responsible for developing and implementing marketing and promotion plans and strategies for the province's petroleum resources to the local, national and international market. During the fiscal year, the Department filled the position of Director, commenced the process of filling the other positions in the Division, and initiated work on a Petroleum Resource Marketing Plan.

With respect to the mining sector, there were a number of initiatives to improve capacity to provide essential information to stakeholders and to market the province's resources.

- A $1 million enhancement of the Geological Survey Division database in the 2007/08 budget provided the basis for an expanded array of onshore geoscience programs. Also, the federal Targeted Geoscience Initiative Buchans – Baie Verte project injected an additional $400,000 mostly for a major aeromagnetic survey, to augment provincial geoscience delivery.
- For several years the province has also been working, in conjunction with other jurisdictions, to secure federal funding for a new program of federal geoscience work to be undertaken cooperatively with provinces and territories. This work is expected to come to fruition in the 2008 federal budget with the approval of the Geo-Mapping for Energy and Minerals Program which will have a focus on northern Canada. The Department will commence negotiation of suitable cost-shared projects for Labrador for implementation in the 2008/09 field season.
- The results of the geoscience work are published as a variety of reports, maps and technical articles, as well as in oral presentations at conferences and workshops. The Mines Branch produced 75 reports through its own publications office and sponsored 26 articles in external publications.
- The Department maintained the funding of its highly successful Mineral Incentive Program for 2007/08. This program consists of three parts: Prospector Assistance and Training - 54 grants issued for a total of $149,000; Junior Exploration Assistance - 18 grants issued for a total of $2.14 million; and Natural Stone Assessment - 4 grants issued for a total of $35,000. The Junior Exploration Assistance and Natural Stone programs attract matching funds from private sources and are a major factor in encouraging mineral exploration.
- The Mines Branch completed a Minerals Promotions Plan directed at enhancing the provincial presence at major national and international mining tradeshows.

Enhanced participation at promotional venues

In comparison to 2006/07, the Mines and Energy branches participated in a greater number of trade shows and exhibits during 2007/08. As well, the size of the delegation from the province was greatly enhanced. The quality of exhibits was improved by development of new promotional CDs in the previous fiscal year. Staff attending these venues engaged in a variety of activities designed to promote the province, including networking, attendance at related meetings, developing new contacts, pursuing previously developed contacts, etc. At the conclusion of these events, staff also engaged in follow-up activities. A list of the strategically chosen trade shows, exhibits and other promotional venues follows:

- Exhibited at the "Offshore Technology Conference 2007" in Houston, April 30 - May 3, 2007.
- Exhibited at the "Second International Symposium on The Oil and Gas Resources of Western Newfoundland," Corner Brook, June 5 - 8, 2007 as well as planning and guiding the Field Trip component of the program.
- Participated at the planning committee level and attended the "Newfoundland and Labrador Ocean Industries Association 2007 Conference," June 18 - 22, 2007. Premier Williams gave opening remarks.
- Participated in the "Rothesay Energy Dialogue" sponsored by the Atlantic Canada Opportunities Agency, July 16-18, 2007.

- Exhibited at the summer "North American Prospectors Expo Exhibition" in Houston, August 23-24, promoting the 2007 Call for Bids in the Newfoundland and Labrador Offshore Area.
- Exhibited at the "Offshore Europe 2007 Exhibition" in Aberdeen, September 4-7, 2007, promoting the 2007 Call for Bids.
- Attended the Interstate Oil and Gas Compact Commission's Annual Meeting in New Orleans, September 2007, and provided an update on onshore and offshore activities, including an overview of the Energy Plan.
- Attended the "Society of Professional Engineer's Annual Technical Conference" in Anaheim, California, on November 11-14, 2007.
- Attended the "International Regulators Offshore Safety Conference" in Miami in December 2007, where an overarching theme was Asset Integrity Management.
- Exhibited at the winter "North American Prospectors Expo Exhibition" in Houston, February 6-8, 2008, promoting onshore Western Newfoundland and the Call for Bids for the Labrador parcels.
- Attended the "International Association of Drilling Contractors/Society of Petroleum Engineers Drilling Conference" in Orlando Florida on March 4-6, 2008.
- Sent delegates to the "Canadian Institute of Mining and Metallurgy National Meeting" in Montreal, and the Geological Association of Canada meeting in Yellowknife; both of which were held in May, 2007.
- Attended the annual "Baie Verte Mining Conference" and the "Labrador Expo Tradeshow" in June 2007.
- Attended the "Mineral Resources Review" in early November 2007 in St. John's. This is an amalgamation of the Mines Branch Open House, featuring project reports and displays, and the annual meeting of the local section of the Canadian Institute of Mining and Metallurgy.
- Attended "Quebec Exploration" in November 2007 which is a significant mineral exploration forum for eastern Canada.
- Attended "China Mining" in Beijing in November 2007 as part of a six-province Canadian delegation. This was the province's first foray to this event and included presentation of the province's exploration potential as part of a Canada Day session.
- Attended the Vancouver Roundup in January 2008; Canada's second largest mining and mineral exploration tradeshow.
- Attended the "Prospectors and Developers Association of Canada Annual Meeting" in Toronto in March 2008. This is the largest mineral exploration tradeshow in the world. For 2008 the Province doubled the size of its booth area. A highlight of the meeting is a reception hosted by the Minister for industry and government delegates.

Increased presentations to increase awareness of exploration opportunities

Building on the overall theme of increasing promotion of resource development opportunities in the province, the Mines and Energy Branches not only enhanced their participation at promotional venues by attending a greater number of trade shows and exhibitions, but took a proactive role at these venues and others through an increased number of presentations, networking and distribution of promotional material.

- Promotional displays and booths were sent to the annual "China Mining Conference" in Beijing, November 2007 (new venture) and Quebec Minerals Forum also in November 2007.

- The Mines Branch has sent displays to its normal venues at Vancouver Roundup (January 2008) and the annual Prospectors and Developers Association Conference (PDAC) in Toronto. The Branch doubled the size of its display area this year at PDAC.
- Minister Dunderdale increased the Department's profile by announcing the Petroleum Exploration Enhancement Program at the "Second International Symposium on The Oil and Gas Resources of Western Newfoundland," June 5-8, 2007. Similarly, at the September 27, 2008, Newfoundland Ocean Industries Association (NOIA) luncheon, Minister Dunderdale gave an address that focused on the elements of the province's first comprehensive Energy Plan. Finally, Minister Dunderdale presented at the NOIA Fall Seminar, "Building the Newfoundland and Labrador Energy Warehouse," held on November 28, 2007. As well, the Energy Branch participated in an exploration attraction roundtable.
- The Energy Branch presented at the Engineering and Procurement Forum at the summer "North American Prospectors Expo" promoting upcoming exploration opportunities with the 2007 Call for Bids in the Newfoundland and Labrador Offshore Area.
- Met and presented marketing packages to targeted oil and gas companies at summer "North American Prospectors Expo 2007," "Offshore Europe 2007" and winter "North American Prospectors Expo 2008" on the status of existing resource projects and future exploration opportunities with the 2007 Call for Bids.
- Presented an overview of the province's Energy Plan at the "Schooner Regional Development Corporation's Strategic Planning Forum" in December 2007.
- Industry Canada, in collaboration with the Canadian Consulate in Houston, hosted a Canadian luncheon on Feb 6, 2008. Speaking at the Canadian luncheon was the Parliamentary Secretary to the Minister of Natural Resources.

Improved dissemination of results of seismic exploration, notably through an on-line format

The Mines and Energy Branches undertook a number of initiatives aimed at improving the availability and quality of exploration data in an effort to aid private sector exploration companies and facilitate the competitiveness of the energy and mining sectors in the province.

- Geographic information system format information is now available for onshore seismic lines on the Department's website.
- Energy Branch continued with the organization of all onshore legacy seismic and related data to determine suitability for input into in-house seismic software programs for analysis.
- Energy Branch scanned paper copies and mylars of seismic sections and commenced working with the province's Office of the Chief Information Officer to determine suitable means for management of this data.

Partner with industry to increase seismic exploration

In partnership with both the onshore and offshore petroleum industry, the Energy Branch participated in two major initiatives to increase seismic exploration. These initiatives provide both funding and improved information to facilitate industry exploration.

- The Department announced a $5 million Petroleum Exploration Enhancement Program aimed at providing the Energy Corporation with funding to participate in geoscience initiatives aimed at gaining a better understanding of the prospects of the onshore area. The Petroleum Exploration and Enhancement Program contains elements that will be beneficial to industry (i.e. new aeromagnetic data in the public domain) and discussions with industry

are continuing as the program is implemented.

- In order to fill important gaps in our knowledge of the offshore area, the Energy Plan outlined commitments to invest $20 million over three years through the Energy Corporation to purchase existing proprietary seismic data for re-evaluation as well as acquire new data. This will create new business opportunities for data owners and geophysical contractors.

Promotion of capacity of Bull Arm site

The province's Bull Arm Site was used to build the gravity based structure for the Hibernia offshore oil project. The site has considerable potential for new fabrication and construction projects for the offshore. The fiscal year saw considerable progress in promoting the site's potential. Promotional efforts during the planning period were led by the BASC Board under the guidance of, and with the active support of the Energy Branch.

- Discussions between the Bull Arm Site Corporation (BASC) Board and a number of potential users continued regarding possible utilization of the Bull Arm site for potential new projects. Details such as scope and schedule for each project continue to be defined.
- From April 2007 to March 2008, there were approximately 60 site tours conducted with representatives from industry associations, international/national energy contractors and operators, provincial/federal government departments and agencies, and universities.
- An advertising plan was approved by the Board in January, 2008. This plan budgeted for print ads in two local industry magazines, "Atlantic Business Magazine" and "The Oil and Gas Magazine."
- In addition to print advertising, Board members and staff have attended trade shows and conferences to present and distribute information on the site and to facilitate expressions of interest. As well, site profile descriptions have been updated in industry databases such as Industry Canada, and the Newfoundland Offshore Industries Association.
- A dedicated team has recently been established in conjunction with Newfoundland and Labrador Hydro/Energy Corporation to assess the various facilities/capabilities in the Province for major projects, including the potential for utilization of the Bull Arm Site. Potential users have been contacted regarding their requirements/expectations of the site in order to get an overall picture for a supply/demand review. This work will continue into 2008/09.

Completion of a marketing plan to promote development of the province's resources

During the fiscal year, a new Marketing Division was created to market the province's petroleum resources to the world and staffing action to fill positions in the new Division was commenced. The Department intended that this Division would be instrumental in completion of a proposed Petroleum Marketing Plan. However, later than anticipated staffing of the Division and delays in release of the *Energy Plan* to late 2007 (the Petroleum Marketing Plan is a deliverable of the *Energy Plan*), have pushed completion of the Plan to the coming 2008/09 fiscal year. Although the Plan was not completed, the Division was successful in providing assistance with initiatives which would normally be part of a formal Plan, such as enhanced participation at an increased number of strategically chosen promotional events.

The Mines Branch has also prepared a Minerals Promotions Plan directed at enhancing the provincial presence at major national and international mining tradeshows.

Goal
"Increased Promotion"

During the strategic planning period, the Mines and Energy Branches were successful in making substantial progress in support of increased promotion of mineral, energy, and business services and supply opportunities. There was a significant increase in the quality of the effort made to market the province's potential through enhanced promotional tools (notably a greatly increased number of scientific and promotional materials in support of mining exploration), higher level government participation, increases in the size of the province's delegation at events and participation at more events. The Energy Branch commenced planning to promote new exploration opportunities with the purchase of seismic data for analysis to identify development prospects. Particular focus was also placed on promoting the capacity of the Bull Arm site.

A summary of these activities for the two years of the 2006/2008 Strategic Plan is provided below in the context of the indicators of the goal for the strategic planning period.

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased promotion of its mineral, energy and business services and supply resources.

Measure: Increased promotion

Indicator	Accomplishments
Increased national and international promotion	In 2007/08, the Mines and Energy Branches almost doubled the number of events attended over previous years. In addition, the quality of participation was enhanced through distribution of improved promotional materials, senior level government participation and through presentations and exhibits. This progress benefited from efforts in 2006/07 to prepare new promotional materials and identify new promotional opportunities. The new Marketing Division provided meaningful support in related endeavors and made progress on the development of a Petroleum Marketing Plan. Promotion of the Bull Arm site also involved significant effort, as noted previously.
Increased exploration and development opportunities	Based on the increased level of interest in oil and gas exploration in the province,

Indicator	Accomplishments
	stimulated in part by better information made available by the Department through enhanced promotional efforts, the C-NLOPB held a new Call for Bids involving lands on the West Coast offshore area and the highly prospective Hopedale basin in Labrador. In the case of Labrador, this signals interest in a basin that has not seen drilling activity in over 20 years. The Department also encouraged potentially significant new exploration through the launch of the new Petroleum Exploration Enhancement program. As well, the *Energy Plan* announced an initial investment of $20 million over three years through the Energy Corporation to purchase existing proprietary seismic data for reevaluation and acquire new data to fill in gaps. The Mines Branch continued to support the interest in new mineral exploration opportunities with an expanded array of geoscience programs and promotional efforts.
Increased business service and supply opportunities	The Energy Branch worked with stakeholders on the West coast of the province to promote the full range of the service and supply capabilities in the area. In support of these efforts, the Energy Branch initiated a study on industrial infrastructure and capacity, the results of which will lead to initiatives in support of increased competitiveness of the province as a place to conduct business. The Energy Branch cooperated with the Department of Business in developing a new Oil & Gas Manufacturing and Services Export Development Fund which will improve the range of service and supply opportunities.

Indicator	Accomplishments
	The preceding efforts represent important supports for increased business service and supply opportunities.

Issue 2: A Competitive Industry

In their 2006/08 Strategic Plan, the Mines and Energy Branches identified "A Competitive Industry" as a key issue to receive priority attention during that two year period. The goal adopted was to increase the competitiveness of the mines and energy sectors by focusing on our fiscal and regulatory regimes, our cost competitiveness in the supply of labour and business services, the state of our existing infrastructure and our ability to attract new capital investment. Consistent with government policy and strategic direction, the Department took the view that its role is to assist in providing the appropriate environment which will facilitate competitiveness, by acting within its mandate to improve, primarily, its legislation/regulations, policy and other resource management practices.

Objective

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased the competitiveness of its mineral, energy and business services and supply services

Measure: Increased competitiveness

Progress 2007/08

Policy direction established through release of the Energy Plan with initial steps toward implementation

The province's *Energy Plan, "Focusing Our Energy,"* was completed and released in September 2007. The Plan sets out clear policy direction for the development and management of the province's energy resources well into the future. As an aid to increasing competitiveness, the Plan defines the fiscal and regulatory environment within which stakeholders must operate. While the plan was released during the reporting period and initial steps taken toward implementation, substantive implementation of the Plan will commence in 2008/09.

From a competitiveness perspective, the plan, among other measures: set out a fiscal framework for natural gas; committed to a comprehensive federal/provincial review of the offshore regulatory regime; provided funds for new geoscience work including the acquisition of seismic data; and committed to further preparatory work on the Lower Churchill hydro-electric development.

New natural gas royalty regime completed and released

The framework for the Natural Gas Royalty Regime established in the *Energy Plan* set out the

context and approach for the province's royalty system, helping to provide stakeholders with a clear picture of the fiscal environment for natural gas development. The Plan also committed to establish an internationally competitive Generic Offshore Oil Royalty Regime in-line with the principles and structure of the Offshore Natural Gas Royalty Regime.

Increase regulatory efficiency and effectiveness through provision of on-line permitting and approvals

The Mines Branch began work on the Mineral Exploration and Management System which will ensure a timely approval process for exploration applications. Preparatory work was carried out in the summer and fall of 2007 and builds on the highly successful MIRIAD on-line claim staking system. Funding for completion of the project over two years was requested in the 2008/09 budget and work will begin on design and construction of the project with intended completion in 2010.

Other significant developments toward increased regulatory efficiency and effectiveness included:

- Online testing of all onshore petroleum permitting and approval forms and, with the exception of the "on-permit expenditure form", all permitting and approval forms were in an electronically fillable format and located on the Department's website.
- On-line availability of most Mines Branch geoscience data is now through the Resource Atlas. This also acts as the data backdrop for the MIRIAD on-line claim staking system.
- Progress was made toward scanning of historical exploration company assessment reports in both paper and microfiche form in an effort to make this resource internet accessible.

Fund strategic initiatives and partner with other departments to enhance competitiveness

The Department funded a number of strategic initiatives and partnered with other departments to enhance competitiveness:

- Committed to invest $5 million over the next two years will be invested in the Petroleum Exploration Enhancement Program to boost petroleum exploration in Western Newfoundland. This investment will be made in the Energy Corporation, and will be used to acquire and assess geoscience data.
- Co-funded the Data Management Repository at the Canada Newfoundland and Labrador Offshore Petroleum Board, allowing the regulator to have rapid access to in-house data for timely decision making purposes.
- Worked with the Department of Business to develop the Oil & Gas Manufacturing and Services Export Development Fund which is primarily related to fabrication of offshore oil and gas related structures and service provision. This program will increase competitiveness and opportunities to bid on international work and will also improve the province's capability to increase benefits from local developments.
- Partnered with the Newfoundland Offshore Industries Association in the development of a Request for Proposals to design, develop, implement and maintain a comprehensive supply and service database. This database will serve as an important marketing and promotional tool, enhancing our ability to promote internationally.

Goal
"Increased Competitiveness"

During the April 1, 2006 to March 31, 2008 planning period, the Mines and Energy Branches made significant progress toward achieving the goal of supporting a more competitive mines and energy sector. In many instances the contributions of the Mines and Energy Branches have a direct impact on the attainment of the goal but the Branches recognize the role that externalities play in this process.

The Mines and Energy Branches engaged in activities through 2006/08 consistent with their mandate, and have contributed to a more competitive environment for mines and energy resource development. By making internal business processes more efficient, developing better technical information for industry use, increasing scientific and technical publications and providing funding for key programs, we have contributed to increased exploration and development opportunities for oil, gas and mineral resources. By working to review a number of pieces of legislation and reducing red tape for both the mining and energy sectors, the Department has sought to balance its regulatory needs with a minimum burden on resource developers. In this regard, perhaps the most significant policy initiative by the Department during the planning period was the completion and release of the *Energy Plan*, a document which sets out major policy initiatives in the energy sector for the foreseeable future and clearly defines for developers the conditions under which development should occur and our expectations of them. By conducting studies on current infrastructure and capacity, we have attempted to clearly define our resources in these areas as an aid to future development.

A summary of these activities for the two years of the 2006/08 Strategic Plan is provided below in the context of the indicators of the goal for the strategic planning period.

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased the competitiveness of its mineral, energy and business services and supply resources.

Measure: Increased competitiveness

Indicator	Accomplishments
Increased exploration and development opportunities	The Mines Branch improved the amount and quality of geoscience data available to industry, thereby improving the ability of industry to identify exploration opportunities. The Mines Branch also commenced work on the Mineral Exploration and Management System which will increase the efficiency of exploration application approvals and support increased exploration and development opportunities.

Indicator	Accomplishments
	The Energy Branch commenced the assessment of opportunities to acquire new geoscience data for analysis to identify and promote exploration opportunities.
Increased oil and gas exploration and production	Over the strategic planning period, there were a number of important advancements toward increased production in the offshore area including commitments to expand the White Rose oil field and a commitment to proceed with the Hebron oil field. See the "Highlights and Accomplishments" section for further details. The Energy Branch played a key role through negotiations to conclude related arrangements. The efforts of the Energy Branch to improve the promotion of oil and gas opportunities supported improved interest in exploration. In May 2007, the C-NLOPB issued a Call for Bids for offshore Labrador, as well as a Call for Bids for Western Newfoundland. The Western Newfoundland Call for Bids led to a bid of over $1.5 million for one parcel, with the Labrador Call closing on September 10, 2008.
Increased mineral exploration and production	Over the strategic planning period, mineral exploration and production continued at a record pace. Four metal mines are currently in production, with another two (Pine Cove and Beaver Brook) due to open in 2008. There are also several deposits in the advanced exploration stage that represent potential future mines. The Mines Branch contributed to increased exploration and development through increased scientific and technical publications of the Geological Survey, providing access to geoscience data through an online format

Indicator	Accomplishments
	and by maintaining funding to the Mineral Incentive Program.
Increased efficiency of regulatory environment	Significant developments to increase the efficiency of the regulatory environment included: progress toward development of natural gas royalty regulations, relevant revisions to the *Mining Act* and the *Mineral Act*, and development of performance based drilling and production regulations for the offshore sector; as well as the release of the *Energy Plan* which established clear government direction on a wide range of policy and served to reduce business uncertainty and promote efficient operations.
Increased advocacy with stakeholders	The Mines and Energy branches conducted a wide range of incremental consultations with the C-NLOPB, Energy Corporation, ACOA, Industry Canada, DFAIT, CAPP, and GSC, for example, or partnered with other departments on a wide range of initiatives, notably on *Energy Plan* development, thereby forming an enhanced advocacy network. The advocacy network permits more timely and effective communications between government and industry and thereby contributes to an improved competitive environment.
Increased business service and supply opportunities Increased business service and supply activity	The Energy Branch initiated a study on industrial infrastructure and capacity on the West Coast. The Department and the Department of Business collaborated to create the new Provincial Export Capability Enhancement Program which will improve the range of service and supply opportunities and activity. These initiatives also have a significant role in the context of "increased promotion" of natural resource developments.

Issue 3: Increased Benefits from Natural Resource Developments

The benefits to the provincial economy from the development of the mines and energy sectors are considerable. They include royalties and taxes providing government with the financial resources to build and maintain public infrastructure and fund social programs, as well as employment to individuals and businesses opportunities for growth and development.

From a public policy perspective, the Mines and Energy Branches play an important role in maximizing benefits and ensuring the sustainable use of the resources from which they come. In 2007/08 the Branches implemented and planned for initiatives consistent with their role.

Objective

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have increased benefits to the province from resource developments.

Measure: Increased benefits

Progress 2007/08

Established policy direction through release of the Energy Plan with initial steps toward implementation

The *Energy Plan* was released in September 2007 and initial steps towards its implementation took place in 2007/08. Leads for each action were identified and working groups were established where necessary. Initial priority actions for 2008/09 were identified. There were a number of specific actions related to increasing benefits.

- The *Energy Plan* notes that government will require a 10 per cent equity ownership in all future oil and gas projects requiring a Development Plan approval where it fits the province/s strategic long-term objectives. Ongoing negotiations for development of Hebron and White Rose expansion were guided by the fundamental commitment to an equity position in oil field development.
- The framework for the Natural Gas Royalty Regime was included in the *Energy Plan*. The framework is an essential first step in the eventual development of Natural Gas Royalty Regulations. The Plan also committed to establish an internationally competitive Generic Offshore Oil Royalty Regime in-line with the principles and structure of the Offshore Natural Gas Royalty Regime.
- The *Energy Plan* commits to establishment of an Oil & Gas Manufacturing and Services Export Development Fund. The Energy Branch partnered with the Department of Business to develop the Fund which will support the manufacturing and fabrication of equipment and provision of services used primarily in the upstream and downstream supply activities of the oil and gas industry. The Fund will assist in establishing an increased export capability and technology transfer opportunities, help reduce the sector's dependence on large local industrial projects and increase local benefits.
- The *Energy Plan* commits to increased benefits for residents of Labrador, notably its aboriginal population. Meetings were held with the Energy Corporation and various

government departments aimed at creating training programs for aboriginals in Labrador, thereby helping to ensure that local residents can take maximum advantage of development opportunities in the region.

Increase partnerships to enhance research and development capacity

During the fiscal year, the Energy Branch participated in a number of new initiatives involving partnerships to enhance the province's research and development capacity.

- Committed to provide $100,000 per year for three years to Petroleum Research Atlantic Canada (PRAC), as well as serving on its Board of Directors. The PRAC is a not-for-profit, member-based organization formed by industry, government and academia. Governed by a nine-member Board of Directors (the majority from industry), the PRAC acts as a catalyst in establishing research priorities, leveraging opportunities and providing ongoing support to current research programs.
- Participated in two joint industry projects with the Centre for Cold Ocean Resources Engineering as lead, aimed at better understanding the development options for natural gas offshore Labrador.
- Participated in the North Atlantic Petroleum Systems Assessment Workshop in St. John's, July 23-26, 2007. This workshop was hosted by Memorial University and included an Irish delegation as well as industry, government and research organizations. The forum was designed to facilitate funded scientific projects and educational studies capable of significantly enhancing our understanding of the petroleum geology of the North Atlantic basins, thereby facilitating more effective exploration and production.
- Continued as a founding member and member of the Board of Directors of the Centre for Marine CNG (Compressed Natural Gas) Inc. The Centre for Marine CNG Inc. is the world's first research and development corporation for large-scale marine transportation of compressed natural gas. The Centre, located in St. John's, brings together oil and gas companies, shipping companies, class societies, regulators, technology proponents, scientists and governments, all focused on innovation in the field of compressed natural gas.
- Continued to support the establishment and implemention of specific research and development guidelines for the offshore.

Monitor commitments under agreements, such as the Voisey's Bay Development Agreement and Industrial and Employment Benefits Agreements to ensure benefits accrue to the province

The Mines and Energy Branches engaged in a number of initiatives during the planning period to ensure that benefits accrued to the province in accordance with applicable agreement provisions.

- Met with Voisey's Bay officials for updates on contracting activities and supply and service requirements concerning the proposed commercial nickel processing plant in Long Harbour.
- Reviewed and vetted quarterly reports on Voisey's Bay, White Rose, Hibernia and Terra Nova projects. Vetting of these involves interdepartmental distribution of reports and discussing and addressing other stakeholder concerns with reports provided.
- Met with Canada-Newfoundland and Labrador Offshore Petroleum Board officials, as required, for updates and discussion on offshore supply and service operational and exploration contracting activities.

Ensure that operators adhere to contractual arrangements and legislative provisions regarding the payment of royalties

The Energy Branch undertook substantive actions during the 2007/08 fiscal year to enhance its capacity for the administration of the contractual and legislative provisions of provincial royalties.

- The Energy Branch was restructured to create a Royalties Division, dedicated to royalty administration. This restructuring resulted in the addition of additional senior audit positions and analyst capacity in the accounting section. Other positions were filled, providing additional audit and accounting resources.
- Implemented a number of administrative measures (audit schedules, enhanced procedures) to streamline processes.
- Concluded an agreement with offshore operators for the Hibernia field respecting a number of outstanding issues, including royalty assessments.

Identify changes to legislation, regulations and policies to enhance competitiveness, including draft amendments to the Mining Act, Mineral Impost Tax Act and Mineral Act.

A number of potential changes have been identified to the *Mineral Impost Tax Act*, *Mineral Act* and the *Mining Act* to enhance competitiveness. While primarily of a "housekeeping" nature, the changes will reduce the regulatory burden on developers and provide for more user friendly legislation.

The Energy Branch participated in a number of initiatives that allow timely identification of possible changes to legislation, regulations and policies in support of enhanced competitiveness and a more effective regulatory regime.

- Worked with the members of the Frontier and Offshore Regulatory Renewal Intiative (FORRI) group to develop a plan for the streamlining of regulations to make them more effective and efficient.
- Participated in the FORRI Drilling and Production Project Working Group aimed at adopting new performance based drilling and production regulations for the offshore.
- Engaged consultants to provide a review of existing onshore drilling regulations and commentary on applicability to move to a goal oriented regulatory regime.
- The Department endorsed the World Bank's Voluntary Standard for Global Gas Venting and Flaring Reduction in the Newfoundland Onshore area. Launched at the "World Summit on Sustainable Development" in August 2002, the Global Gas Flaring Reduction Public-Private Partnership brings around the table representatives of governments of oil-producing countries, state-owned companies and major international oil companies so that together they can overcome the barriers to reducing gas flaring by sharing global best practices and implementing country specific programs.
- Continued work with other Atlantic Provinces and the federal government to amend their respective Atlantic Accord Legislation to include a uniform Occupational Safety and Health component.

Work with industry and other government departments to facilitate technology transfer and supply opportunities for local industry

The Mines and Energy Branches engaged in a number of activities with other partners to facilitate technology transfer and supply opportunities for local industry.

- Participated with the Harris Center on a conference entitled "Economic Development

Benefits of Oil and Gas Industry in Newfoundland and Labrador" held in St. John's on May16th 2007.

- Led delegation of 44 companies/organizations (110 delegates) to the "Offshore Technology Conference and Exhibition" in Houston Texas, May 1-4, 2007.
- Participated at the "Newfoundland Offshore Industries Association's Offshore Conference" in June 2007.
- Led a delegation of 11 companies/organizations (28 delegates) to the "Offshore Europe Conference and Exhibition" in Aberdeen Scotland, September 4-7, 2007.
- Participated with the Department of Innovation, Trade and Rural Development on the "Alberta Opportunities Initiative."
- Participated with Petroleum Research Atlantic Canada on "Small Field Development and Asset Integrity Workshops."
- Participated in the "Canadian Institute of Mining and Metallurgy National Meeting" in Montreal, and the Geological Association of Canada meeting in Yellowknife; both of which were held in May, 2007.
- Participated in the annual "Baie Verte Mining Conference" and the "Labrador Expo" tradeshow in June 2007.
- Partnered with Canadian Institute of Mining and Metallurgy on the annual "Mineral Resources Review" in early November 2007 in St. John's. This is an amalgamation of the Mines Branch Open House, featuring project reports and displays, and the annual meeting of the local section of the Canadian Institute of Mining and Metallurgy.
- Participated in "Quebec Exploration" in November 2007; this is a significant mineral exploration forum for eastern Canada.
- Represented the province at "China Mining" in Beijing in November 2007 as part of a six-province Canadian delegation.
- Participated in the "Vancouver Roundup" in January 2008, Canada's second largest mining and mineral exploration tradeshow.
- Led provincial delegation at the "Prospectors and Developers Association of Canada Annual Meeting" in Toronto in March 2008. This is the largest mineral exploration tradeshow in the world. For 2008 the Province doubled the size of its booth area. A highlight of the meeting is a reception hosted by the Minister for industry and government delegates. Department staff also participated in a workshop on uranium exploration in eastern Canada.

Continue to promote opportunities for local employment and the use of fabrication facilities

The Mines and Energy Branches selected a number of strategic initiatives to promote opportunities for local employment and the use of fabrication facilities.

- Led a delegation of 44 companies/organizations (110 delegates) to the "Offshore Technology Conference and Exhibition" in Houston Texas, May 1-4, 2007.
- Participated at the "Newfoundland and Labrador Oil and Gas Industry Association Offshore Conference" in June 2007.
- Led delegation of 11 companies/organizations (28 delegates) to the "Offshore Europe Conference and Exhibition" in Aberdeen Scotland, September 4-7, 2007.
- Participated with the Department of Innovation, Trade and Rural Development on the Alberta Opportunities Initiative.

- Attended 20 other venues involving opportunities to promote local employment and use of fabrication facilities.
- Commenced a study which will identify the respective requirements and current capabilities of the West coast region regarding oil and gas exploration, production and related industrial fabrication.

Goal
"Increased Benefits"

Through progress on the indicators noted in the 2006/07 Annual Report and in this Annual Report, the Mines and Energy Branches have played a key role in maximizing benefits to the province from resource development. The Branches' contribution in this regard has been in areas which fall within their mandate, primarily legislation/regulation and resource management. The benefits of decreased land use conflict were promoted and supported through remediation of mines sites and progress on development of plans to protect natural areas. The Branches supported (in collaboration with other Provincial Government Departments) or initiated programs toward increased oil and gas exploration and production or increased supply and service opportunities. Direct government revenues were increased through negotiation of new benefit arrangements for off-shore oil projects, as well as by adopting new policies as outlined in the *Energy Plan*. Regulations to facilitate further mineral exploration on Inuit Lands in Labrador were adopted, thereby establishing the essential rules for new mineral developments and related increased benefits.

The Branches view continuing work with provincial industrial fabricators to increase technology transfer and benefits capture on oil projects as essential to complement corresponding initiatives of industry to increase its share of business opportunities in fabrication and service provision. Internally, the Energy Branch underwent a major reorganization which will permit more efficient monitoring of benefits agreements and contractual arrangements.

A summary of related activities for the two years of the 2006-2008 Strategic Plan is provided below in the context of the indicators of the goal for the strategic planning period.

By March 31, 2008 the Department of Natural Resources, Mines and Energy Branches, will have increased benefits to the province from resource developments.

Measure: Increased benefits

Indicator	Accomplishments
Decreased land-use conflicts	The Mines Branch was active in developing and implementing plans to remediate the former Baie Verte and Consolidated Rambler mine sites, thereby contributing to reduced environmental damage and land use conflict.

Indicator	Accomplishments
	The Department also collaborated with other Provincial Government Departments to work toward developing a Natural Areas System Plan. The Plan will identify protected areas, thereby eliminating competition for land development in presently undeveloped areas.
Increased oil and gas exploration and production Increased mineral exploration and production	The Energy Branch developed the Natural Gas Royalty Framework which stipulates fiscal arrangements and is an essential prerequisite to natural gas exploration and development. The Petroleum Exploration Enhancement Program was developed and will encourage onshore exploration by providing funding to strategically invest in geoscientific activities. The Energy Corporation will have the flexibility to commission seismic work independently and/or partner with private companies. Budget 2007/08 allocated $2 million toward the program for the fiscal year. The release of the *Energy Plan* served to provide assurances concerning the direction of government policy on exploration and development and serves to contribute toward advances in this area. The Mineral Incentives Program provided incremental support to junior exploration companies or to prospectors to pursue exploration opportunities. Over the planning period, $4.6 million was expended on related projects. The Mines Branch also negotiated and implemented Standards for Mineral Exploration on Labrador Inuit Lands which outlines the conditions for mineral exploration and development.

Indicator	Accomplishments
	The Mines and Energy Branches partnered with stakeholders on numerous federal/provincial/territorial meetings, regional workshops and industry conferences to explore industry trends in exploration and development. Such partnerships are also essential to identify the need for new policies and regulations.
Increased business service and supply opportunities Increased business service and supply activity	Partnered with the Department of Business to establish the Oil & Gas Manufacturing and Services Export Development Fund (OGEDF). The OGEDF is designed to support strategic investments in new business opportunities for large-scale, export-based petroleum fabrication, manufacturing and service provision. The OGEDF will not only provide for increased export capability and technology transfer, it will also help enable Newfoundland and Labrador's oil and gas supply and service sector to expand its reach and take advantage of opportunities beyond local industrial projects. The Mines and Energy Branches also partnered with industry through numerous trade shows and conferences to improve technology transfer and supply opportunities for provincially based companies.
Increased revenues	Negotiated equity ownership and a "super royalty" regime in the Hebron oil field and White Rose oil field expansion (See "Highlights and Accomplishments" section for further details). The *Energy Plan* established the framework for the Natural Gas Royalty Regime which outlines the basis for royalties on potential natural gas development. The Plan also makes a commitment to establish an

Indicator	Accomplishments
	internationally competitive Generic Offshore Oil Royalty Regime in-line with the principles and structure of the Offshore Natural Gas Royalty Regime. The *Energy Plan* outlined a number of benefits related policy initiatives, including the establishment of a policy to obtain a 10 per cent equity position in all future oil and gas projects requiring a development plan approval where it fits the province's strategic long-term objectives, an improved royalty regime and enhanced benefits. Normal operations by the Mines and Energy Branches included extensive activity to monitor benefits agreements and contracts.

Issue 4: An Informed Public

In recent years, the mines and energy sectors have involved some of the most significant public policy initiatives and economic development projects in the province. The focus of public attention is therefore often on the Mines and Energy Branches as the lead for government in promoting the interests of the province on these issues. Critical to informing the expectations of the public in this regard, has been dissemination of factual information and an acknowledgement that there are global factors beyond the control of government that impact on these matters. There is also a duty, consistent with government's commitment to transparency and accountability, to ensure that the public and industry are informed about government policy intentions with respect to resource development.

Objective

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have improved the information available to the public about natural resource developments.

Measure: Communications plan

Progress 2007/08

Implemented a communications strategy around the launch of the Energy Plan
A communications strategy was developed and implemented for the launch of the province's

Energy Plan. It was successfully launched on September 11, 2007, and it received significant media coverage on the day of the launch, as well as substantial follow-up interest with supporting interviews given by the Premier and the Minister. The communications strategy is still being implemented as we continue to announce progress on and details of the various initiatives contained in the plan.

Increased promotion of speeches
Between April 1, 2007 and March 31, 2008, six media advisories were issued notifying the media of ministerial speeches with a news release being issued out of two speaking engagements to generate greater media interest and coverage. Additionally, organizations which invited the minister to address their members issued advisories of those appearances. Copies of speeches are also provided to organizations, which post the text on their web sites and media for increased visibility and shelf life. This is in comparison to the same time period in the previous year in which four media advisories were issued notifying media of ministerial speeches with no accompanying press releases.

Increased news releases and backgrounders
The Department ensures that information on all significant policy initiatives and programs are articulated to the public through news releases and/or backgrounders. Between April 1, 2007 and March 31, 2008, the Department issued 99 news releases, media advisories, ministerial statements and backgrounders, or an average of eight a month. This is slightly above the annual average and higher than the previous fiscal year.

Increased Ministerial interviews in rural media
The Minister took every opportunity to address local media when traveling around the province, including speaking to local media during the Baie Verte Mining Conference in June and doing supporting interviews with regional media on local impacts of programs and policy initiatives, particularly around the forest industry which is predominantly rural based. A conscious effort is made to ensure the media are aware when the minister is in their area and opportunities for interviews and scrums are made available. This is particularly the case when she is visiting Corner Brook, where the Forestry and Agrifoods Agency is located.

Improved information available publicly through the Department's website
The Department is participating in a government wide initiative, lead by the Office of the Chief Information Officer (OCIO), to create a client centred web presence. As part of this initiative, the department has repaired all broken links, removed or archived orphaned files, and had undertaken focus group sessions to identify clients and related service groupings. Once the standard government architecture for websites has been approved, the OCIO will prepare an initial draft client centred website for further development.

Increased public information sessions on significant policy initiatives and programs with a direct impact on the public and industry groups
The Lower Churchill Project team with Newfoundland and Labrador Hydro conducted seven public information sessions on the project between March 31, 2007 and March 31, 2008. This is on top of information sessions and meetings with various groups, councils and community leaders. The sessions were to inform residents of the status and scope of the project as it

proceeds towards project sanction. The sessions were as follows:
April 15, 2007 - Churchill Falls
April 16, 2007 - Happy Valley-Goose Bay
April 17, 2007 - North West River
May 29, 2007 - Labrador City
March 10, 2008 - Labrador City
March 12, 2008 - Happy Valley - Goose Bay
March 13, 2008 - North West River

No public information sessions were held during the same period the previous year.

Conducted periodic assessments of departmental communications activities with key industry players
The Mines and Energy Branches have a good relationship with stakeholders, provide them with advance notice on upcoming announcements and legislation, and where appropriate consult with them on improving the exchange of information and the need for communications activities on major issues.

For example, the Branches regularly consult with the Canada-Newfoundland and Labrador Offshore Petroleum Board and have a process in place for a timely exchange of information related to major issues, which is continually evaluated to ensure its effectiveness. Also, the Branches have made conscious efforts to publicly acknowledge and support the accomplishments and achievements of resource partners and to improve the lines of communications with them.

Increased technical briefings for the media on significant policy developments
The Mines and Energy Branches offered technical briefings with the media in the spring of 2007 on significant pieces of legislation that were being brought forward. In May, the minister held a news conference to answer questions on the legislation to create a new provincial energy corporation. In June, officials from the Energy Branch gave the media a technical briefing on amendments to the Electrical Power Control Act, with the minister taking questions from the media afterward.

The Energy Branch held technical briefings with the media and industry on September 11, 2007 on the province's first-ever *Energy Plan*. This allowed for a review of the Plan prior to it being released publicly and the ability of industry representatives and media to ask specific technical questions of the deputy minister, CEO of Hydro and other senior officials.

During 2006/07, only one technical briefing was provided.

Goal
"Improved Information"

Critical to achieving the goal of an informed public is accurate, comprehensive and timely information. During the planning period, the Mines and Energy Branches provided in-depth technical briefings and information sessions on major policy initiatives such as changes to

legislation, the *Energy Plan* and the Lower Churchill development. The Minister of Natural Resources speaking engagements were promoted to a greater degree and the Department consulted with its stakeholders on methods to improve communications. As well, the Department took important steps to improve the information available on its website.

By March 31, 2008, the Department of Natural Resources, Mines and Energy Branches, will have improved the information available to the general public about natural resource developments.

Measure: Improved public information

Indicator	Accomplishments
Increased public awareness	The Mines and Energy Branches have increased public awareness by ensuring, to the greatest extent possible, that information related to major policy decisions, legislation and/or developments are articulated clearly to the media through news conferences, news releases, backgrounders and technical briefings and that the minister takes every possible opportunity to reach the people of the province through her one-on-one interviews with members of the media around the province on issues of interest to that particular area.
Increased public confidence Decreased public uncertainty	By increasing public awareness through the provision of accurate, comprehensive and timely information, the Mines and Energy Branches also contributed to increased public confidence in government's resource management approach and correspondingly decreased public uncertainty.

Opportunities and Challenges

On June 30, 2008, the Department of Natural Resources tabled a new Strategic Plan for the period April 1, 2008 to March 31, 2011. The Plan identifies a number of key issues, challenges and opportunities for the Mines and Energy Branches, consistent with government's strategic directions.

Identifying and Promoting Resource Development Opportunities
The province has established oil, hydro electric and mineral industries, with considerable potential for expansion, diversification and identification of new resources. In a global environment where production and development resources are devoted to known opportunities, identifying and promoting new resource development opportunities is critical to sustaining the province's resource development.

Over the next several years, the Mines and Energy Branches will commit resources to the analysis of historical geoscience data, and encourage new geoscience data collection, thereby increasing the knowledge base of geoscience data to identify opportunities for resource development. Concurrently, the Branches will promote these opportunities to the world, work with stakeholders to develop a data repository for offshore resources and engage in other promotional initiatives.

Improved Efficiency and Effectiveness of Regulatory Systems
An efficient and effective regulatory structure in support of mineral, oil and gas exploration and development is essential to attracting and retaining industry to look for, and develop, mineral and energy resources.

The Mines and Energy Branches have identified a number of areas where change is required to maintain and improve the province's competitive position:

- Development of regulations giving effect to the royalty regime for natural gas and commencement of work toward development of similar regulations that will be applied to new offshore oil projects.
- Implementation of performance-based regulations for the offshore, in cooperation with the federal government.
- A review of the province's electricity regulatory structure to ensure that our export potential is fully maximized and to identify which standard practices in the North American electricity industry are necessary to adopt and how best to implement them.
- Improvements in the availability of information on regulatory processes that are available on-line.
- Completion of the Mineral Exploration and Management System, which will ensure a timely approval process for exploration applications.

Sustainable Economic Benefits
The mines and energy sectors are a major financial contributor to the provincial treasury. Ensuring that the province receives its fair share of the benefits from development will require focus in a number of areas.

- The *Energy Plan* announced that Government would establish a policy to obtain a 10 per cent equity position in all future oil and gas projects requiring a development plan approval, where it fits Government's strategic long-term objectives. This equity ownership will provide an additional source of revenue to our existing fiscal regimes.
- Work will continue to ensure that project negotiations include a significant amount of local benefits, including employment and the provision of supplies and services. Working with stakeholders to identify opportunities and reap economic and employment benefits

associated with the exploration and development of mining and energy resources is an important aspect of this process.

Sustainable Resource Development

The province's mineral resources and many of its energy resources are non-renewable. It is important to ensure that renewable resources are developed in a manner which secures benefits for future generations, as well as the present generation and that the development of non-renewable resources maximizes benefits while ensuring environmental protection. In this regard, during the 2008/11 period, the Mines and Energy Branches will, among other measures:

- Lead a government-wide initiative to establish targeted energy efficiency and conservation programs around transportation, industrial, commercial and institutional and residential users.
- Continue to remediate abandoned mine sites.
- Work to strengthen departmental capacity for inspection and monitoring of exploration and development.

Newfoundland
Labrador

Department of Natural Resources
Forestry and Agrifoods Agency
Annual Report

April 1, 2007 to March 31, 2008

Overview

The Forestry and Agrifoods Agency was established under the *Executive Council Act*. It is a category one public body under the *Transparency and Accountability Act*. The Agency is responsible for supporting and achieving outcomes with respect to natural resource development in the forestry, agriculture and agrifoods sectors through two Branches.

The **Forestry Services Branch** is responsible for managing and regulating the forest resources of the province.

The **Agrifoods Development Branch** is responsible for promoting the continued development, expansion and diversification of competitive and sustainable primary and value-added agriculture and agrifoods businesses.

Number of Employees

On March 31, 2008 the Agency had 395[1] staff on payroll.

Branch	Female	Male	Total
Agrifoods	52	61	113
Forestry	61	221	282
Total	113	282	395

[1] This figure does not include: 250 seasonal employees employed in the Forestry Service (vast majority male), 49 employees with corporate services shared with other departments, and 5 employees in communications and ministerial support shared with Mines and Energy Branches.

Physical Location

In addition to 24 forest management district offices and eight agricultural units (see Appendix 3) throughout the Province, the main offices of the Agency are located at the Fortis Building in Corner Brook.

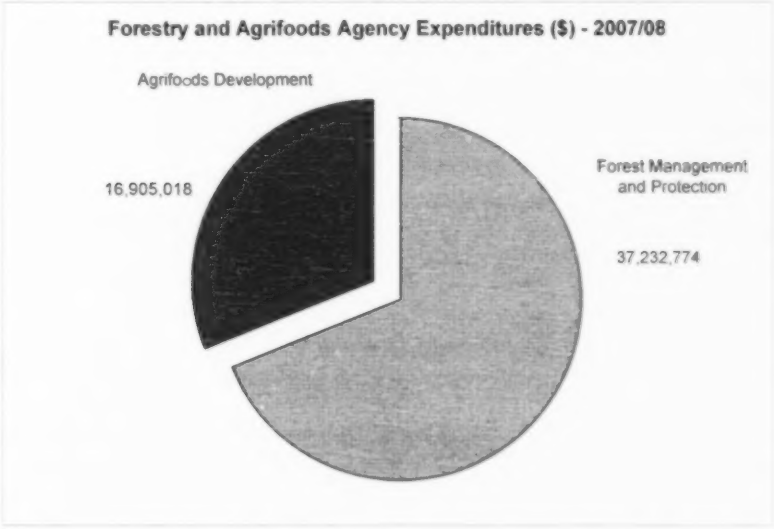
Fortis Building
P.O. Box 2006
Corner Brook, NL
A2H 6J8

Website

The department of Natural Resources website, including the Forestry and Agrifoods Agency component, is located at www.nr.gov.nl.ca/nr.

Budget

Expenditures for the Forestry and Agrifoods Agency for fiscal year 2007/08 totalled $54.1 million. This figure does not include $6.3 million for executive and support services which are shared with other areas of the Department of Natural Resources. Additional details are in Appendix I.



Industry Context

The Forestry and Agrifoods Agency provides key supports to the forestry, agriculture and agrifoods industries in the province through a wide range of programs, and effective administration of the governing legislative, regulatory and policy framework.

The province's forestry sector has experienced mixed results over the past number of years. The demand for newsprint has been declining in the United States at a rate of approximately 10 per cent per year. The cost of production per tonne of paper and board foot of lumber continues to increase due to rising energy prices, a strong Canadian dollar, and increased competition from other countries. As a result, newsprint production has declined in recent years. Concurrently, the housing market in the United States which grew substantially for a number of years is now at historic lows resulting in reduced demand for lumber. As a result, lumber production in the province has declined. See Figures 3 and 4.

The agriculture/agrifoods sector is an important contributor to the province's economy. As indicated in Figures 5 and 6, farm cash receipts totalled $102 million in 2007, while secondary processing of agricultural products (food and beverage manufacturing) reached $467 million. The dairy industry has led this growth with expansion on farms and in dairy processing of value-added milk products such as cheese and novelty ice creams. Higher energy costs are also having an effect on agriculture operations, with significant impacts on livestock production. These impacts are direct, such as equipment operations, and indirect, such as higher feed costs due to the demand on corn for ethanol.

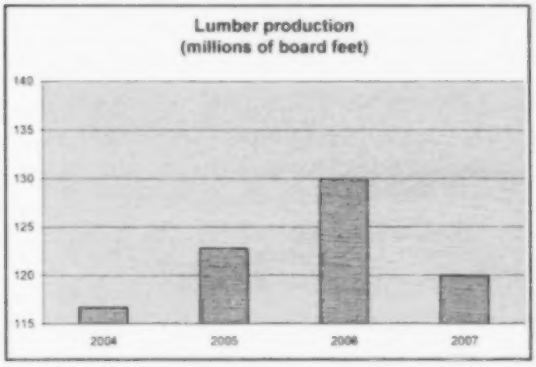


Figure 3.
SOURCE: NL Department of Finance

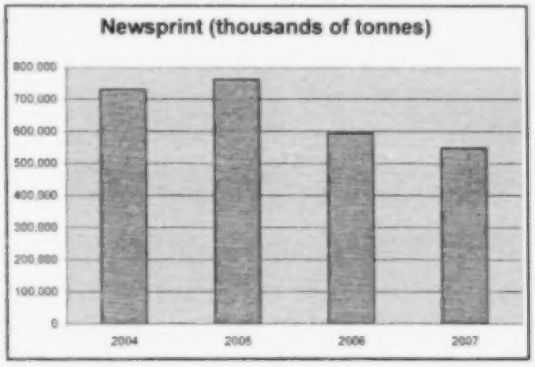


Figure 4.
SOURCE: NL Department of Finance

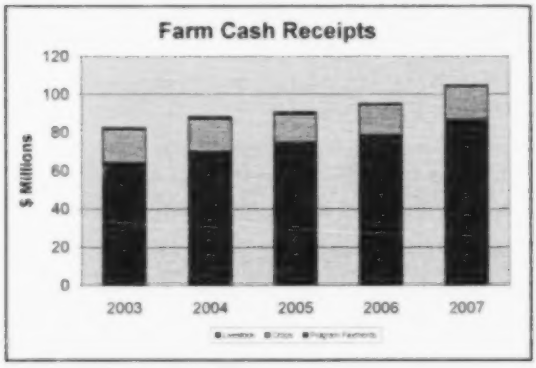


Figure 5.
SOURCE: NL Department of Finance

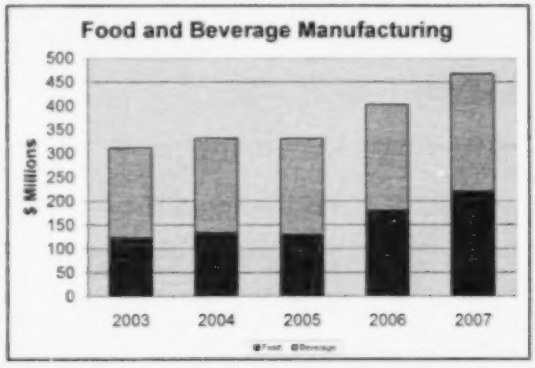


Figure 6.
SOURCE: NL Department of Finance

Vision

The vision of the Forestry and Agrifoods Agency is of a province that is realizing the full benefit from its forestry and agrifoods resources in a sustainable manner.

Mission Statement

By March 31, 2011, the Forestry and Agrifoods Agency will have implemented programs necessary to sustain the province's forest ecosystems, identified and facilitated further opportunities for sustainable agriculture and agrifoods resource development and optimized the benefits received from these resources.

The mission statement was taken from the Agency's Strategic Plan for April 1, 2006 to March 31, 2008. The indicators of how the Agency will measure success in achieving this mission have since been revised. The new indicators were developed based on a reassessment of the Agency's role in contributing to the strategic directions of the Minister of Natural Resources. The previous indicators did not take adequate account of the role of forces beyond the control of the

Agency, such as commodity prices and international market conditions. The Agency's support role to the forestry and agrifoods sectors is properly reflected in the revised indicators. A report on these indicators will be included in the Agency's Annual Report for April 1, 2010 to March 31, 2011. The current complete mission statement can be obtained from the Agency's Strategic Plan for April 1, 2008 to March 31, 2011 which can be viewed at www.nf.gov.nl.ca/nr.

Lines of Business

Working closely with key stakeholders, the Forestry and Agrifoods Agency develops policy and programs, and provides support functions to the forest, agriculture and agrifoods industries. Programs and services are specifically directed to promoting and facilitating well-planned, sustainable growth and development and associated economic and employment opportunities.

The Agency has eight main program and service areas.

Sustainable Forest Management

Through the Agency's headquarters in Corner Brook, and offices in St. John's, the Agency is responsible for policy, legislation, programs and forest management planning that enable the residents of the province to benefit from the services that ecosystems provide while ensuring their sustainability and health.

These programs include silviculture, resource roads construction, forest inventory, forest fire suppression, forest insect control, forest management planning, enforcement/compliance and industry development.

Regional Services

The policy and programs associated with sustainable forest management, health and services are implemented through a regional/district structure. Regional Services is responsible for the delivery of the silviculture, resource roads, forest fire suppression, and enforcement/compliance programs. In addition, Regional Services is responsible for dealing with wildlife issues related to public safety (road kills, injured animals, etc.) public awareness programs (presentations to schools, service clubs, etc.) addressing public concerns on other forest resource management issues and the development of district sustainable forest management plans.

Enforcement of and Compliance with Legislated Requirements

The Agency's responsibility for enforcement of the province's *Forestry Act* and *Wildlife Act* is delivered through the Regional Services structure. In addition, the Agency collaborates with other government departments and agencies in enforcement of the federal *Fisheries Act (Inland Fish)*, All-Terrain Vehicle (ATV) Regulations and the *Migratory Birds Convention Act*. The Agency is responsible for monitoring timber harvesting operations as well as patrolling hunting areas for compliance with the regulations under the various Acts.

Licensing and Permitting

The Agency's regional, district and satellite offices issue licenses and permits related to wildlife and forestry activity. A complete list is available on the Department's website at: www.nr.gov.nl.ca/nr.

Production and Market Development

The Agency offers a wide range of programs and services aimed at maximizing production and market development at the primary and secondary levels. These programs and services include: professional and technical support, pest control training, research and development, market development, market intelligence, on-farm food safety, off-farm food safety, and marketing and promotion.

Agriculture Business Development Services

The Agency provides professional advisory services and financial programs to diversify, strengthen and develop the agrifoods sector, thereby increasing the profitability of agribusinesses, and enhancing the competitive capability of the agrifoods industry. This mandate is accomplished through professional farm business management advisory service, extension services and programs, and the development, implementation and evaluation of agricultural financial programs and initiatives. The Agency delivers a wide range of business development services, including: the Canada-Newfoundland and Labrador APF (Agricultural Policy Framework) Agreement, Production Insurance, Provincial Agrifoods Assistance Program, Fruit and Vegetable Storage Assistance Program, Agriculture and Agrifoods Development Fund, Grants and Subsidies for the Newfoundland and Labrador Federation of Agriculture, 4-H Program, Provincial Training Program and Professional Advisory Services through nine agricultural representatives and 3 farm management specialists.

Land Management

The Agency's land management program is responsible for a number of initiatives which aid in the preservation of the Province's limited arable land base such as: the Land Use Program involving the Real Property Tax Exemption Program, Land Consolidation Program, Environmental Farm Planning Program, Agricultural Limestone Program, Soil Survey Program, geographic information system development, field mapping/database development, Agricultural Drainage Program, Agricultural Access Roads, Electrical Service Program, and the Soil Fertility and Laboratory Services Program.

Animal Health

Animal health services generally involve any aspect of animal health that is justifiably in the public interest and within those budgetary limits set by the provincial government, including: farm animal veterinary services (livestock and poultry), laboratory analyses (veterinary diagnostic and food safety), control of food quality (milk and meat), monitoring and control of animal diseases of economic or public health interest, professional witnesses in cruelty to animals complaints, assistance to police & wildlife officials, and control of Heritage Animals.

Shared Commitments

The Forestry and Agrifoods Agency has legislative oversight for the following public bodies:

- Wooddale Agricultural Land Development Authority
- St. John's Urban Region Appeal Board
- Farm Industry Review Board

- Land Consolidation Review Committee
- St. John's Land Development Advisory Authority
- Livestock Owners Compensation Board
- Newfoundland and Labrador Chicken Marketing Board
- Newfoundland and Labrador Crop Insurance Agency
- Forest Land Tax Appeals Board
- Newfoundland and Labrador Farm Products Corporation
- Timber Scalers Board

The Agency works closely with each of these public bodies toward fulfillment of the strategic directions of the Minister of Natural Resources. Full details can be found in the applicable activity plans of these public bodies available at www.nr.gov.nl.ca/nr.

Highlights and Accomplishments

In addition to completing work toward outcomes associated with the strategic issues for the planning period as identified in the "Outcomes of Objectives" section, the accomplishments of the Forestry and Agrifoods Agency were noteworthy in a number of areas.

Specialty Cheese
The province's dairy sector is entering the specialty cheese market with a new business initiative that will see the establishment of a cheese manufacturing line at the Central Dairies facilities in Mount Pearl.

The Provincial Government invested $1 million under the Agriculture and Agrifoods Development Fund (AADF) to assist Central Dairies in the expansion into the specialty cheese market. Central Dairies is contributing $2.5 million toward the venture, which will create 10 to 15 jobs.

Central Dairies is expecting sales in the range of $5.3 million to $10.3 million annually in the first seven years of operation. As part of the initiative, Central Dairies will purchase 4.7 million litres of industrial milk from local dairy farmers at startup, with that volume expected to at least double by year seven.

The province's dairy farmers joined the National Milk Marketing Plan in 2001 and were allocated an annual share of the national Market Sharing Quota. The province is more than half way toward its goal of producing 31 million litres of industrial milk by 2016.

Previously, much of the growth of the milk quotas in this province has had to be shipped out of the province for further processing. This project will result in significant transportation cost savings for dairy farmers in this province and will allow the industry to continue the expansion that began in 2001.

Egg Production
The province's egg producing sector is preparing for growth through funding towards the

construction of a state-of-the-art egg-grading station by Newfoundland Eggs Inc. on Roaches Line in Conception Bay.

The province invested $1.2 million from the Agriculture and Agrifoods Development Fund in the construction of the facility, which has a total cost of approximately $4.2 million. The new modern facility allows the company to increase its egg-grading capacity and produce higher quality and safer egg products at a lower production cost, increasing the industry's competitiveness.

The new technology will increase efficiency and give industry a greater opportunity to gain market share and displace the importation of eggs into the province. The upgrade will also bring the facility in line with new food safety standards and ensure the long-term sustainability of the province's egg production industry.

The new grading operation is creating five new full-time jobs and 209 weeks of part-time employment annually at the facility.

Forestry Diversification Initiatives

A number of initiatives were designed during the fiscal year to position the sawmill sector, in particular, to secure markets. These initiatives are consistent with several others brought forward by sawmillers in the Agency's development of a Forestry Diversification Strategy. These and other initiatives include:

- A diversification program that will provide for infrastructure required by industry to produce new forest products and gain access to new markets.
- Conducting a study on sawmills involving detailed technical and financial analysis of the major sawmills in the province and the development of sustainable business plans.
- A pellet market development program that will provide for a 25 per cent rebate for the purchase and installation of wood pellet stoves.
- Development of a marketing program that supports all integrated sawmills in the province in accessing new global markets.
- A cost-shared economic study with Corner Brook Pulp and Paper to convert wood to an alternate green fuel source to reduce the mill's requirement for bunker C oil. It is estimated that 32,800 barrels of bunker C oil will be replaced through this initiative.

The Agency has identified and supports wood pellet manufacturing as an economically viable alternative to utilize sawmill processing residues. Producing pellets from sawdust, bark, and planar shavings will improve the efficiency of sawmill operations. A number of recently completed studies have shown that developing local markets will provide the best opportunity for wood pellet development in the short term, however, as pellet production in the province expands and grows there may be a need to explore and develop new export markets.

Operating Plans

Operating plans are essential tools to ensure that the province's forest resources are developed and managed efficiently and effectively. They are prepared in consultation with the public and industry. Five Year Forestry Operating Plans were prepared and approved through the Environmental Assessment Process for the following districts/tenure combination in 2007/08:

- Districts 10, 11, 12 and 13 (Abitibi Bowater)
- District 17 (Corner Brook Pulp and Paper Limited)
- District 17 and 18 (Crown)
- District 7 (Crown)
- District 19a (Crown)

These Operating Plans will be in effect from January 1, 2008 to December 31, 2012.

Forest Road Construction
To facilitate efficient access to the resource, the Agency committed a total of $4.2 million to the construction of forest resource roads on Crown Limits in Newfoundland and Labrador during 2007/08. A total of 67 new road projects were tendered for construction in 2007/08. This was in addition to 17 projects which were carried over from the 2006/07 season for a total of 84 projects. This work included the construction of 94.6 km of new resource road and the re-construction (upgrading) of an additional 35.4 kilometers.

Silviculture
Maintaining healthy forest ecosystems is of high priority within the Agency. To maintain these ecosystems the Forestry Branch continued with the implementation of enhanced programs and services designed to maintain optimal health. The silviculture program received an additional $1 million in funding during the last two fiscal years. A total of 15,232 hectares of land were planted with seedlings using provincial funding. Of this, 38.3 per cent was treated directly by the Agency and 56.4 per cent by Corner Brook Pulp and Paper Ltd. and Abitibi Bowater. An additional 5.3 per cent was planted with seedlings through the Newfoundland and Labrador Forestry Training Association.

The Agency maintains two tree nurseries, one at Wooddale in central Newfoundland and the other at Happy Valley-Goose Bay in central Labrador. Collectively, these Nurseries shipped just over 14.1 million tree seedlings in 2007. Of these, more than 99 per cent were shipped to Crown-funded reforestation sites across the province. Approximately 86,000 seedlings (slightly less that 1.0%) were donated to community and non-profit groups or sold to private individuals.

Outcomes of Objectives

This section of the Annual Report details the significant work undertaken and completed by the Forestry and Agrifoods Agency on its objectives for 2007/08, and progress toward achieving the goals of the 2006/08 Strategic Plan. It also provides an explanation for any variance between planned and actual results. The outcomes achieved by the Agency with respect to its goals and objectives for the 2006/08 planning period are consistent with the Minister of Natural Resources strategic direction for that period - Sustainable Resource Development.

To further advance progress toward the strategic directions of Government, and to comply with the provisions of the Transparency and Accountability Act, the Agency prepared and tabled in the House of Assembly a new Strategic Plan for the period April 1, 2008 to March 31, 2011. The applicable goals, objectives, measures and indicators for the upcoming fiscal year are contained in that Plan. It can be viewed at www.nr.gov.nl.ca/nr.

Issue 1: Forest Sector Economy

The forest sector economy is a vital component of the provincial economy and a significant economic generator for many rural communities in the province. With the forestry sector in a period of restructuring at both national and provincial levels, it is important that the Agency assess the current dynamics of the industry and options for future growth and take appropriate action.

In identifying this issue for strategic focus during the 2006/08 planning period, the Agency was particularly interested in the relationship among forest industry components in the province. The relationship among the pulp and paper, sawmilling and value-added manufacturing sectors has been marked by steady progress in improved utilization and processing of wood fibre over the past decade. During the planning period, the agency worked with industry to identify and implement strategies that will lead to new growth opportunities. In addition, the Agency focused on the expansion of secondary wood products manufacturing in the province and the development of new value-added products.

Objective

By March 31, 2008, the Agency will have completed an analysis of the forest industry on the Island portion of the province and assessed the recommendations for implementation.

Measure: Newfoundland analysis completed

Progress 2007/08

Newfoundland analysis completed including recommendations for priority actions
A draft report on the analysis of the forest sector for Newfoundland was completed. The report is being assessed by Agency staff and it will be released once it is accepted by Government.

Consultations with forestry industry stakeholders on analysis of recommendations
Consultations with forestry industry stakeholders have been implemented through the creation of a project steering committee comprised of industry stakeholders with a mandate to assess the report's draft recommendations. The current draft report was presented to the steering committee and the final report will be presented to them once the Agency has accepted a final draft.

Integration and collaboration of the Newfoundland analysis into the Atlantic Canada forest industry analysis
An Atlantic Canada forest industry analysis which is similar to the provincial analysis was completed in October 2007. The Agency was represented on the steering committee for this analysis and will also consider the report in preparation of the final analysis for the province.

Goal 1
"Completion of Forest Studies"

The Agency has completed an analysis of the forest sector for both Labrador and Newfoundland. The intention of the studies was to provide benchmark information on the respective industries operating in the forest sector, identify industry strengths and weaknesses, opportunities and threats and to identify how government might encourage continued operations and diversification into new areas. The Labrador study is available publicly and the Island portion will be available before March 31, 2009.

By March 31, 2008, the Agency will have completed an analysis of the forest sector in Labrador and Newfoundland.

Measure: Completion of forest sector studies for Newfoundland and Labrador

Indicator	Accomplishments
Completed the Labrador secondary processing and value added study	The study was completed in the previous fiscal year and the details are provided in the 2006/07 annual report.
Completed the Newfoundland forest sector analysis	Draft report completed as per objective for 2007/08.

Objective

By March 31, 2008, the Agency will have completed a review of value added opportunities and developed mechanisms for forestry diversification.

Measure: **Value added/secondary processing review completed**
Measure: **Mechanisms for forestry diversification developed**

Progress 2007/08

Opportunities for value added/secondary processing identified
During the fiscal year, the Agency announced a number of initiatives in support of opportunities for value added/secondary processing of wood products. These initiatives will assist industry compete in the global economy and identify and develop specific new products and market opportunities. The "Highlights and Accomplishments" section provides further details.

Forestry diversification strategy completed
The Forestry Diversification Strategy was completed by the consulting firm retained by government. While the strategy is still being assessed, its recommendations form the basis of a number of initiatives.

Goal 2
"Maximizing the Value of the Forest Resource"

The province's forest resources provide a wide range of benefits through sawmill, pulp and paper operations and in the form of wood for domestic home heating. While the economic benefits are impressive, the Forestry and Agrifoods Agency realizes that forest resources can be utilized in a broader range of sustainable initiatives, thereby realizing additional benefits for residents of the province. During the planning period, the Agency examined the timber harvesting royalty regime to reduce costs to harvest difficult to access stands of timber, and improved wood flow processes between operators to allow more efficient operations. Based on development of the draft forestry industry diversification strategy, the Agency identified a number of value added processing opportunities with anticipated funding support to encourage development.

By March 31, 2008, the Agency will have developed mechanisms to improve government's ability to maximize the value of the resource.

Measure: Developed mechanisms to improve government's ability to maximize the value of the resource

Indicator	Accomplishments
Developed a new timber royalty regime which is reflective of the quality of the resource, the cost of resource management and our ability to maintain access to international markets	The new timber royalty regime was implemented January 2008 and helps reduce the cost of accessing timber stands which are located on steep slopes, in low volumes, in dead stands, or in isolated areas. Exceptions to the regular royalty rate for timber in such areas are listed in the Timber Royalty Regulations. Many producers will benefit from lower costs of production as a result of this initiative.
Implemented processes to address the flow of wood to maximize value	New regulations are now in place that legally allow the Minister of Natural Resources to direct the flow of Crown wood and the exchange of wood between companies. As a result the forestry industry as a whole will benefit through improved access to resources.
Opportunities identified for economic diversification related to the forest industry Identified value-added industrial participants by product and size	In addition to value added initiatives identified in 2006/07, the Agency will continue to work with the emerging value added industries (eg: wood pellet producers and sawmills) in developing

Indicator	Accomplishments
	new opportunities. Additional staff will be hired in the coming fiscal year with emphasis placed on industry/marketing development. As part of the diversification initiatives identified in the fiscal year (See "Highlights and Accomplishments") the Department of Innovation, Trade and Rural Development will hire an external consultant to work on a marketing plan for the sawmill sector. This marketing program will help diversify the product line away from traditional North American commodity markets.
Increased the number and type of opportunity review undertaken	To further develop pellet manufacturing opportunities, the Newfoundland and Labrador Forest Training Association (NLFTA) in cooperation with the Agency completed and released two pellet studies; (1) Northern Peninsula Wood Pellet Plant Pre-Feasibility Study and (2) Feasibility Study: Opportunities for Conversion of Thermal Heating Plants to Wood Pellets. A new Value Added Directory which contains all the information for the current sector is now ready for distribution In addition to the Value Added Directory a report entitled, "Wood Products Industry in Newfoundland and Labrador - Size and Structure" is near completion and will be ready for release shortly In conjunction with the NLFTA a Transportation Study for the Forest Products Industry will be initiated. The focus of the study will be to identify issues and parameters around the current and future transport of round-wood and manufactured wood products.

Indicator	Accomplishments
Increased the number of technical advisory contacts provided to prospective industries	The Agency identified incremental advisory contacts for prospective industries identified as part of the Forest Diversification Strategy. The contacts include Forintek Canada Corp, the Forest Research Institute of Canada, FP Innovations, the Canadian Fibre Centre, the Centre for Environmental Excellence, the University of New Brunswick Wood Science Laboratory, and a number of private saw mill consultants.

Objective

By March 31, 2008, the Agency will have continued with implementation of enhanced programs and services designed to maintain healthy forest ecosystems.

Measure: Continued implementation of programs and services

Progress 2007/08

New Silviculture Agreements with industry reflecting increased tree planting with a range of species

A new four year Agreement (2007 to 2010) has been signed with Abitibi Bowater and a new five year Agreement (2006 to 2010) has been signed with Corner Brook Pulp and Paper. Both are subject to annual appropriations of the House of Assembly.

Corner Brook Pulp and Paper will increase its annual investment in silviculture from $3 million to $4 million and increase its annual planting levels from three million to five million seedlings. Abitibi Bowater will increase its annual investment in silviculture from $3 million to $3.1 million and increase its annual planting levels from three million to three and a half million seedlings. Each new agreement sees increases in provincial cash contributions from 32 per cent to 50 per cent, and seedlings will be provided by the province to each company.

Analysis completed and a report prepared documenting how the additional silviculture funding will increase volume per hectare over traditional treatments

During the fiscal year, the Agency completed a report outlining how additional silviculture funding will increase the volume of wood per hectare over traditional treatments. The analysis concluded that increased silviculture expenditures would result in a significant long term increase in wood supply as a result of increased silviculture treatment levels, and partly through a greater focus on the planting of fast-growing species.

Initiated aerial photography and interpretation of photography on the Island and in Labrador to improve inventory data base for decision making
The Agency's aerial photo and photograph interpretation program involved the following incremental features. The results of the program in 2007/08 will permit more informed decisions concerning spray programs, silviculture operations and harvesting programs.

Photo Acquisition
- 4300 on the island
- 1900 in Labrador

Photo Interpretation
- Finished District 2 (2100 photos)
- Agency staff working on Districts 3, 4 and 6 (1100 of 5900 interpreted)
- Contract interpretation for District 21 is ongoing (900 of 1050 photos interpreted)

Mapping
- 134 of 138 maps completed in District 5
- 70 of 112 maps completed in District 2
- District 21 mapping is completed

Field Work
- 350+ plot and stand level surveys completed

Plan completed that provides for a ten year forest inventory cycle for the province
The ten year forest inventory plan has been completed. The plan outlines aerial and other surveillance initiatives. A key feature of the plan is ensuring that the largest number of years between photo acquisitions for a district is 10 years, contributing to more reliable and accurate inventories.

Establishment of a forest ecosystem research program
A research program has been initiated with an initial focus on the Avalon Peninsula (Erioderma Pedeculatum) concerning the management of buffer zones. Two staff positions associated with the program have been approved and will be filled in the next fiscal year. The Agency also initiated discussions with Canadian Forestry Service and Grenfell College on developing a Research Cooperative.

Enhanced caribou enforcement program in Labrador
This program involved additional funding of $69,000 enabling a more proactive approach to caribou herd surveillance to discourage any illegal activity. Compared to previous fiscal years, there were no reports of animals illegally taken during the fiscal year.

Goal 3
"Maintained Healthy Forest Ecosystems"

The Forestry and Agrifoods Agency views efforts to protect the forest resources as fundamental to all efforts to pursue the sustainable harvest of forest products and to permit healthy wildlife

populations. During the planning period, the Agency focused on incremental measures to enhance silviculture programs for the renewal of the forest biomass, and updated aerial inventory photography to identify potential disease and threats from pests. The Agency also reviewed and enhanced its enforcement programs for timber and wildlife and, in particular, caribou. Research and development initiatives were also implemented to better understand resources and contribute to an overall healthy ecosystem. Finally, the Agency expanded its forest fire fighting capability in Labrador.

By March 31, 2008, the Agency will have maintained healthy forest ecosystems.

Measure: Maintained healthy forest ecosystems

Indicator	Accomplishments
Enhanced silviculture programming, including additional tree planting and the use of different species.	The Agency increased funding to Pulp and Paper Companies to increase planting efforts. As well, the capacity of the Wooddale Tree Nursery was expanded.
Enhanced forest inventory program that is expanded to include Labrador and overall reflects more up-to-date information.	Over the previous two fiscal years there was extensive work to update mapping for the Island districts of 2, 4, 5, 6, 11, 12, 13, 19, 20, 21 and 22. The Agency also completed plans for a ten year inventory cycle.
Expanded forest fire fighting capabilities in Labrador.	In 2006/07, the Agency invested an additional $500,000 in fire suppression across three regions in Labrador, as well as an additional $460,000 in aircraft support. As a result, forest fire prevention was aided by locating fires early and better protecting the forest resource.
Improved enforcement to ensure the protection of inland fish resources	Budget 2007/08 invested $270,400 for the addition of five more conservation officers for the Inland Fisheries Enforcement Program.

Issue 2: Agriculture and Agrifoods Economy

The agriculture and agrifoods sector is an important contributor to the economy of Newfoundland and Labrador. The sector provided direct and indirect employment for 4,000 persons on farms and in the food and beverage manufacturing sectors. On farm production has grown in 24 of the last 27 years with sales of $105 million in 2007, while secondary processing

of agricultural products reached $467 million. The dairy industry has led this growth with expansion on farms and in dairy processing of value-added milk products such as cheese and novelty ice creams. The Forestry and Agrifoods Agency worked in partnership with industry to move forward with programs and initiatives that further facilitated the development and growth of the industry in a sustainable manner.

Objective

By March 31, 2008, the Agency will have developed and administered initiatives to further develop and advance agriculture and agrifoods resources.

Measure: Initiated mechanisms to maximize the value of agriculture and agrifoods resources

Progress 07/08

Agricultural awareness campaign/initiatives implemented

The Consumer Awareness Campaign was delivered in 2007/08 utilizing 12 TV advertisements and print media which highlighted each of the following commodity groups: beef, pork, lamb, dairy, chicken, eggs, secondary processing, fur, landscape horticulture, fruits, vegetables, and young farmers. The campaign ran in two six week intervals starting in June and September.

The annual Agricultural Awareness Campaign, funded as a joint initiative of Agriculture and Agri-Food Canada and the Agency on a 60/40 basis involved participation in various agriculture related fairs and shows throughout the Province.

- The Agency sponsored the "Agrifoods and Garden Show" held in Mount Pearl in April 2007. More than 19,000 attended the event which allowed producers of production equipment and service providers to showcase their products and services to the agriculture community and the general public.
- The "Farm Field Day" was held in St. John's in August 2007. This annual event is organized by the Agency and Agriculture and Agri-Food Canada. It provides an opportunity for the public to learn about agriculture and agrifoods in the province. The event attracts around 10,000 visitors to the Agency's offices on Brookfield Road.
- The "Open Farm Day" was held on September 23, 2007, on 18 farms across the province. Approximately 4,300 people visited the farms during this event with activities including guided farm tours, hayrides, farm markets, cooked meals, corn boils, and various children's activities.

Participation in the next generation of federal-provincial-territorial agricultural policy negotiations

The current Agriculture Policy Framework (APF) Agreement expired in March 2008. Since 2003, the APF has provided $33.5 million in support for over 500 projects in this province related to environmental stewardship, on-farm food safety and quality, secondary processing, and product and land development for the livestock and vegetable sector.

The Agency consulted with different agriculture industry groups in the province to assist in the development of the next agriculture policy framework agreement in Canada which will be called *Growing Forward*. These consultations helped identify industry priorities for this province and complemented the federal/provincial/territorial consultations held in St. John's and Corner Brook in January.

Through federal/provincial/territorial working groups and committees, the Government of Canada and the Government of Newfoundland and Labrador worked toward a new federal-provincial *Growing Forward* initiative. While progress on *Growing Forward* continues, existing programs under the APF were extended for up to one year, starting April 1, 2008.

Implementation of programs to enhance and develop the agriculture and agrifood industry in the province

The Agency implemented a number of programs to enhance and develop the agriculture and agrifoods industry in the province. Funding was provided between Agriculture and Agri-Food Canada and the Agency on a 60/40 basis.

- Under the APF, $2.56 million was expended for technology adoption, agriculture research, development of secondary processing and on-farm diversification.
- Four association and 35 producer research and development projects were funded under the APF.
- There were five research and development projects funded for $585,000, focusing primarily on the development of improving province-wide forage, vegetable and berry production.
- Under the APF, $6.23 million was expended towards 159 projects shared on a 60-40 basis by the federal and provincial governments.

The Agency also supported a number of other programs which enhance the agriculture and Agrifoods sector.

- The provincially funded Provincial Agrifoods Assistance Program provided financial assistance of $1.8 million for 251 separate, primary and secondary processing developments including land developments, technology adoption, facilities and pasture improvements.
- The Agriculture and Agrifoods Development Fund was established to encourage the development, diversification and expansion of large scale agricultural projects in either the primary or secondary processing sectors in the province. In 2007/08, a total of $1.2 million was contributed toward the development of an egg grading facility to enhance the safety and quality of eggs and improve efficiencies in grading. A further $1 million was provided for the development of a cheese manufacturing facility which resulted in increased utilization of the province's industrial milk quota. See "Highlights and Accomplishments" for further details.
- Under the Fruit and Vegetable Storage Assistance Program, designed to assist producers to develop storage and handling capacities required for commercial production, $213,000 in assistance was provided to 24 separate producers for storage facilities and storage handling equipment.
- The province continued to cost-share national business risk management programs including Production Insurance and the Canadian Agriculture Income Stabilization Program. These

initiatives are intended to provide insurance coverage for vegetable producers, farm income stabilization, and disaster coverage to protect against drops in farm income.

Goal 1
"Maximize the Value of the Agriculture/Agrifoods Resource"

During the strategic planning period, the Forestry and Agrifoods Agency was successful in making substantial progress toward an improved agriculture and agrifoods sector economy through a number of initiatives designed to maximize the value of agriculture and agrifoods resources. Many of the Agency's ongoing programs and services provide incremental support to the agriculture and agrifoods industry that is fundamental to advancing related economic development. Stakeholder consultations, notably on a successor to the Agricultural Policy Framework Agreement, were also key to identifying modifications to existing programs, as well as new mechanisms in support of continued economic growth.

By March 31, 2008, the Agency will have developed and implemented mechanisms to improve government's ability to maximize the value of its agrifoods resources.

Measure: Developed mechanisms to improve government's ability to maximize the value of agriculture and agrifoods resources

Indicator	Accomplishments
Implemented initiatives to assist the industry in its advancement	The Agency delivered a range of initiatives providing incremental support to industry, notably through the Agriculture Policy Framework Agreement, the Provincial Agrifoods Assistance Program, and the Agriculture and Agrifoods Development Fund.
Increased stakeholder consultation	The Agency conducted extensive consultations to develop a successor to the Agriculture Policy Framework Agreement. As well, Agriculture and Agri-Foods Canada conducted consultations across Canada with more than 3,000 groups which assisted the Agency to form a more complete and enhanced stakeholder reference group.
Increased agriculture and Agrifoods promotion	Through a number of initiatives associated with annual Consumer Awareness Campaigns, the Agency provided incremental support to promote the consumption of products produced in the province.

Indicator	Accomplishments
Increased collaboration with industry	Notably during 2006/07, the Agency conducted a range of incremental consultations with industry. The more significant included work to complete sector strategies for each of cranberry, fur feed and vegetable producers, as well as collaborating to implement the Northern Agrifoods Development Strategy, and development of 28 Environmental Farm Plans.
Increased value of agrifoods resources through agrifoods development programs and services	The Agency delivered a number of ongoing programs such as the Fruit and Vegetable Storage Assistance Program, Road Construction Program, and Lime Subsidy Program which serve to provide incremental assistance to directly increase or support the value of agrifoods resources.

Objective

By March 31, 2008, the Agency will have continued with the implementation of enhanced programs and services for the sustainability of agrifoods resources.

Measure: Initiated mechanisms to enhance the sustainability of the industry through enhanced land use management, food safety and quality and animal health programs and services

Progress 2007/08

Identification of suitable agricultural land and review of land availability for agricultural land use purposes.

The Agency conducted a number of initiatives to identify suitable agricultural land and to review land availability for agricultural purposes.

- Identified suitable land for expansion areas throughout Newfoundland and Labrador and assessed permitting/planning requirements for the development of such sites. Involved in the planning of the commission for the review of the Agriculture Development Area of the St. John's Urban Region.
- Detailed 1:12,500 scale Soil Surveys in 7 areas for 23,000 acres, i.e., Goose River, Northwest River, Wooddale South, Argentia Access Road, Harcourt, and Port Blandford; and 1:50,000 scale preliminary analysis on the Goose Bay soils.

Increased and sustained accessibility to agricultural land
The Agency maintains approximately 330 km of access roads for approximately 100 farms. In 2007 new construction took place in Kings Point, Lethbridge, Morely's Siding, Conception Bay South, Wooddale South and Colliers.

Implementation of the land development and consolidation programs
A number of land development programs and initiatives were implemented by the Agency to help ensure the sustainability of the agricultural land base in the province.

- The Agency proceeded with Farmland Development Projects in public calls for proposals for Crown Land in the Bay Roberts area, Port Rexton area and the Gander Lake area. These projects will provide farmers with access to approximately 2436 acres of land needed for industry growth in various commodities including dairy, vegetables, and pasture.
- The Drainage Program ditched 76 acres of peat farmland with both new acreage and maintenance, and 30 acres of sub-surface drainage.
- Under the Land Consolidation Program there were purchases (completed or pending) for six properties totalling 503 acres in various parts of the province, including St. John's, Gambo, Cormack and Lethbridge.

Implementation of programs related to food safety, food quality and animal health to sustain the agriculture industry
The Agency implemented a number of programs or initiatives related to food safety, food quality and animal health to sustain the agriculture industry.

- The provincial Animal Health Laboratory was completely renovated including a significant expansion in space. A request was made to the Standards Council of Canada for accreditation under the ISO 17025 program for food safety, regulatory or payment-related laboratory tests. A site visit and submission of documents were completed with final approval expected for accreditation in April 2008.
- Surveillance for avian influenza in wild birds may be enhanced through the development of research projects with Memorial University.
- Significant surveillance was carried out within the domestic and wild mink populations to determine the extent and cause of the Aleutian disease outbreak in that industry.
- Under the Agriculture Policy Framework Agreement, $480,000 was expended for 13 food safety and food quality projects including seven projects upgrading and improving food safety equipment and programs on individual farms.
- Development and implementation of Food Safety and Food Quality Programs was on-going, including both on-farm and post-farm components. This included participation at the national level on technical review and various other committees.

Goal 2
"Increased Sustainability of Agriculture/Agrifoods Resources"

During the strategic planning period, the Forestry and Agrifoods Agency made substantial progress toward an improved agriculture and agrifoods sector economy through a number of initiatives designed to increase the sustainability of agriculture and agrifoods resources. Many of the Agency's initiatives and ongoing programs and services provide incremental support to the agriculture and agrifoods industry that are fundamental to sustain related infrastructure. Initiatives to increase monitoring, surveillance, and testing for disease were completed during

the planning period, as were initiatives to map agricultural assets through geographic information system technologies and extensive soil analysis to identify ways to improve the soil in support of better fertility and productivity.

By March 31, 2008, the Agency will have provided mechanisms to increase the sustainability of agriculture and agrifoods resources.

Measure: Sustainable agriculture and agrifoods sector

Indicator	Accomplishments
Implementation of programs for increased land usage, productivity and sustainability Maintained and/or increased sustainability of agrifoods resources through land use management, food safety, food quality, and animal health programs and services	The Agency delivered a number of programs which permit sustainable development, such as the Land Consolidation Program which purchases small parcels for consolidation into larger, more economically viable holdings and the Road Access Program which maintains or builds access roads. In 2006/07, the Agency was especially active in conducting soil analysis to determine the need for fertilizers and other soil improvements or to identify new agriculture land, as well as mapping the parameters of suitable agricultural land. This type of activity was continued in 2007/08 with detailed 1:12,500 scale Soil Surveys in 7 areas for 23,000 acres, i.e., Goose River, Northwest River, Wooddale South, Argentia Access Road, Harcourt, and Port Blandford; and 1:50,000 scale preliminary analysis on the Goose Bay soils. As well, the Agency continued the development of the 1:12,500 scale Land Use Inventory using GPS technologies.
Implementation of food safety, food quality and animal health monitoring and surveillance programs Maintained and/or increased sustainability of agrifoods resources through land use management, food safety, food quality, and animal health programs and services	The Agency successfully delivered related programs and made a number of improvements. The Agency delivered Food Safety and Food Quality Programs which prevent disruptions in livestock production and protect the consumer. It also participated in initiatives at the national level aimed at developing a Post

Indicator	Accomplishments
	Farm Hazardous Analysis Critical Control Point Program. Animal health and monitoring was enhanced through upgrades to laboratory disease detection equipment and other improvements to increase surveillance of emerging diseases, such as Avian influenza.
Enforcement of regulatory programs	In 2006/07, the Agency completed a number of enhancements to the Dairy Farm Inspection and Meat Inspection Programs to ensure the safety of the food supply and in support of sustaining meat and dairy cow production, including monthly inspections by front line staff, increases in onsite testing, and commencement of initial steps toward development of training programs.
Regular industry consultation and partnership	The Agency planned five consultation sessions, in collaboration with Agriculture and Agri-Foods Canada, with the provincial agrifoods industry for early in the next fiscal year to determine priorities for the next cost-shared agreement – *Growing Forward*. The sessions will be held in Corner Brook (dairy), Gander (livestock, horticulture), St. John's (poultry) and Labrador. At these sessions, industry stakeholders will be given the opportunity to voice their concerns and make recommendations for the *Growing Forward* agreement. The consultations will complement previous related consultation sessions across Canada, thereby "kick starting" more regular industry consultations and partnerships.

Opportunities and Challenges

On June 30, 2008, the Forestry and Agrifoods Agency tabled a new Strategic Plan for the period April 1, 2008 to March 31, 2011. The Plan identifies a number of key issues, challenges and opportunities for the Agency consistent with government's strategic direction.

Growth and Diversification of the Agriculture and Agrifoods Industry
The agriculture/agrifoods sector has generally been characterized by significant growth and diversification over the last quarter century. Recent noteworthy examples include cranberry production, industrial milk production and fur farming. Each of these areas offers opportunities for additional growth. As well, with approximately 85 per cent of vegetable crops that could be produced in the province, imported, this is another obvious area for positive growth. For the upcoming fiscal year, the Agency will focus on initial steps to enhance programs to support continued growth and diversification through development of a provincial agrifoods strategy. The strategy will identify necessary modifications to existing programs, as well as possible changes to legislation, regulations and policies.

Competitiveness in the Forestry Sector
The significant challenges of lower demand, increased competition and the export disadvantages of a higher valued Canadian dollar suggest a need for programs focused on competitiveness and innovation in the forest sector. Diversification in the forestry industry and growth in the sawmill sector offer opportunities. In this regard, initial steps toward identifying competitive advantages and promoting opportunities will be a focus for the next fiscal year, with the recently completed study on forest sector competitiveness as a point of reference.

Sustainable Resource Management
Sustainability of the forestry, agriculture and agrifoods sectors is essential to ensure their long term viability and productivity. The Forestry and Agrifoods Agency has and will continue to implement programs that support the sustainable management of a healthier and more productive forest ecosystem. As well, to promote the sustainable development of the agriculture and agrifoods industry, the Agency has implemented programs and services in several areas including animal health, food safety and quality and land use management. During the next fiscal year, the Agency will take steps to improve disease and insect surveillance and management and forest fire protection. It will also identify new agriculture land development opportunities in support of farm expansion.

Appendix I: Financial Statements

Expenditure and revenue figures included in this document are based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2008. These statements are presented without Audit. The Department of Natural Resources is not required to prepare audited statements.

STATEMENT OF EXPENDITURE AND RELATED REVENUE SUMMARY FOR THE YEAR ENDED MARCH 31, 2008 (unaudited)

		Estimates	
	Actual($)	Amended($)	Original ($)
Executive and Support Services			
1.1.01 Minister's Office	363,233	386,100	386,100
1.2.01 Executive Support	2,755,849	2,759,300	2,000,900
1.2.02 Administrative Support	1,057,999	1,160,200	1,313,400
Less: Revenue	(3,950)	(10,000)	(10,000)
1.2.03 Administrative Support (Capital)	2,166,453	3,255,600	2,840,600
Total	**6,339,584**	**7,551,200**	**6,531,000**
Forest Management and Protection			
Forest Management			
2.1.01 Administration and Program Planning	8,976,063	10,536,100	10,855,600
Less: Revenue	(1,228,552)	(130,000)	(130,000)
2.1.02 Operation and Implementation	11,452,870	11,591,700	11,292,200
Less: Revenue	(1,525)	0	0
2.1.03 Silviculture Development	8,985,697	9,479,000	9,479,000
Less Revenue	(9,633)	(1,000)	(1,000)
2.1.04 Resource Roads Construction	4,183,826	4,200,000	4,200,000
Forest Protection			
2.2.01 Insect Control	2,681,595	3,190,000	3,542,000
Less: Revenue	(1,382,391)	(1,924,500)	(1,924,500)
2.2.02 Fire Suppression and Communications	3,789,125	3,964,400	3,964,400
Less: Revenue	(214,301)	0	0
Total	**37,232,774**	**40,905,700**	**41,277,700**
Agrifoods Development			
Land Resource Stewardship			
3.1.01 Land Resource Stewardship Admin	1,290,522	1,410,600	1,290,900
Less: Revenue	(9,314)	(33,000)	(33,000)
3.1.02 Limestone Sales	375,489	442,300	442,300
Less: Revenue	(117,099)	(140,000)	(140,000)
3.1.03 Land Development	1,899,761	2,300,000	2,300,000
Production and Market Development			
3.2.01 Production and Market Development Admin	1,940,061	2,061,700	1,866,700
Less: Revenue	(24,284)	(54,700)	(54,700)
3.2.02 Marketing Board	157,879	171,700	161,700
Agricultural Business Development			
3.3.01 Agricultural Business Development Admin	1,762,803	1,935,100	1,799,100
Less Revenue	(36,783)	(39,000)	(39,000)

		Estimates		
		Actual($)	**Amended($)**	**Original ($)**
3.3.02 Production and Livestock Insurance		257,188	324,800	324,800
Less: Revenue		(89,208)	(165,000)	(165,000)
3.3.03 Agricultural Initiatives		1,831,889	2,898,000	2,898,000
Less: Revenue		0	(898,000)	(898,000)
3.3.04 Agricultural and Agrifoods Development Fund		2,196,899	6,760,000	6,800,000
3.3.05 Agricultural Policy Framework		6,331,237	6,533,800	6,533,800
Less: Revenue		(2,718,531)	(3,448,100)	(3,448,100)
Animal Health				
3.4.01 Administration and Support Services		2,408,300	2,420,700	2,438,400
Less: Revenue		(551,791)	(530,000)	(530,000)
	Total	**16,905,018**	**21,950,900**	**21,547,900**
Mineral Resource Management				
4.1.01 Geological Survey		4,048,344	5,043,800	5,063,600
Less: Revenue		(4,427)	(34,000)	(34,000)
4.1.02 Mineral Lands		1,246,924	1,266,400	1,104,600
Less: Revenue		0	(5,000)	(5,000)
4.1.03 Mineral Development		3,866,129	7,407,800	7,563,800
Less: Revenue		(95,500)	(148,000)	(148,000)
	Total	**9,061,470**	**13,531,000**	**13,545,000**
Energy Resources and Industrial Benefits Management				
5.1.01 Energy Policy		1,189,463	1,934,100	2,522,700
5.1.02 Petroleum Development		735,892	944,200	1,256,400
5.1.03 Canada/Newfoundland and Labrador Offshore Petroleum Board		5,392,500	5,825,000	5,825,000
Less: Revenue		(3,963,405)	(3,675,000)	(3,675,000)
5.1.04 Royalties and Benefits		3,855,397	3,964,000	4,100,400
Less: Revenue		(110,483)	(275,000)	(275,000)
5.1.05 Energy Initiatives		150,000	10,000,000	10,000,000
5.1.06 Energy Initiatives - Capital		0	2,000,000	2,000,000
	Total	**7,249,364**	**20,717,300**	**21,754,500**
Total Department		**76,788,210**	**104,656,100**	**104,656,100**

Appendix II: Inactive Public Bodies

Mines and Energy Branches

The **Mineral Rights Adjudication Board**, a category 3 public body, was inactive during the April 1, 2007 to March 31, 2008 period. The mandate of the Mineral Rights Adjudication Board is as follows:

It is the function of the board to hear and determine a question, dispute or matter arising out of the application of the *Mineral Act* or the *Mining Act* and applicable regulations, including hearing and determining on:

- the rights of persons to the issuing of licences, certificates and leases, including extensions of licences and leases;
- the suspension and reinstatement of a person's right to stake out claims;
- a decision by the minister to withhold approval of a transfer, assignment, mortgage, pledge or conveyance of a licence;
- disputes or questions arising between a person and the minister or recorder, or between competing claimants, respecting the boundaries of areas physically staked or the manner and time of staking;
- questions of priority for the right to obtain licences;
- all matters respecting the cancellation of licences and leases, including allegations of default of the conditions of licences and leases, and whether a misrepresentation by applicants for licences or leases is material;
- the right of persons to certificates;
- a question pertaining to security deposits required to be made by applicants for licences, including rights to refund and forfeitures to the Crown and amounts of refund and forfeiture; and
- other matters pertaining to the rights, privileges, obligations or duties of persons claiming or holding licences or leases conferred or imposed under the applicable legislation.

The Mineral Rights Adjudication Board has prepared and tabled in the House of Assembly an Activity Plan for April 1, 2008 to March 31, 2011. If the Board meets during any one of the three years covered by the Plan, it will table a separate annual report.

Forestry and Agrifoods Agency

During the April 1, 2007 to March 31, 2008 period the following category 3 public bodies falling under the Department of Natural Resources (Forestry and Agrifoods Agency) were inactive. In the event that one of these public bodies becomes active, it will prepare and table in the House of Assembly an Annual Report.

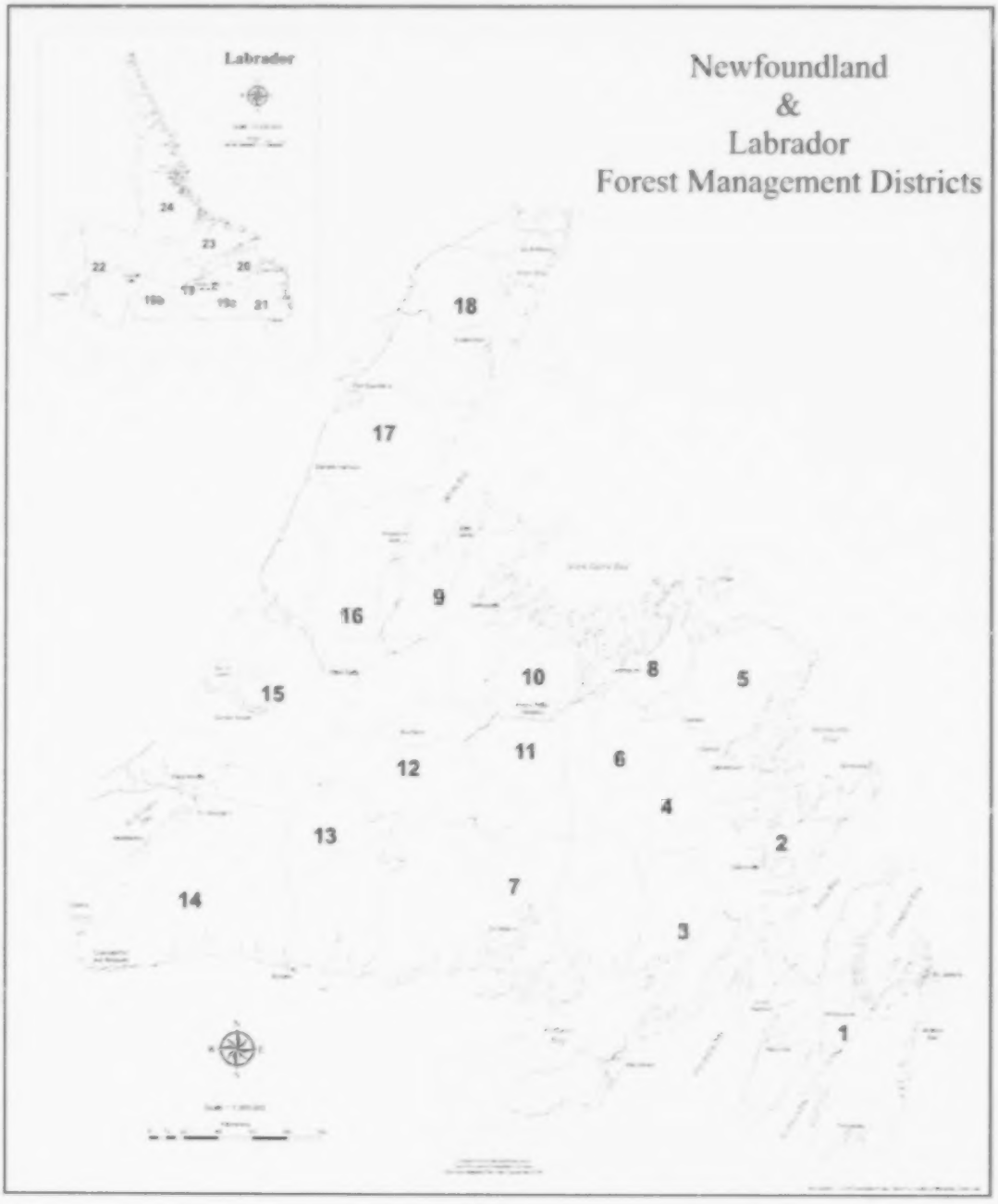
Forest Land Tax Appeals Board – The Forest Land Tax Appeals Board was created pursuant to the *Forestry Act (1990)*. The mandate of the Board is to hear appeals from landholders who disagree with the way in which Part III of the *Forestry Act* (1990) is applied. Appeals may

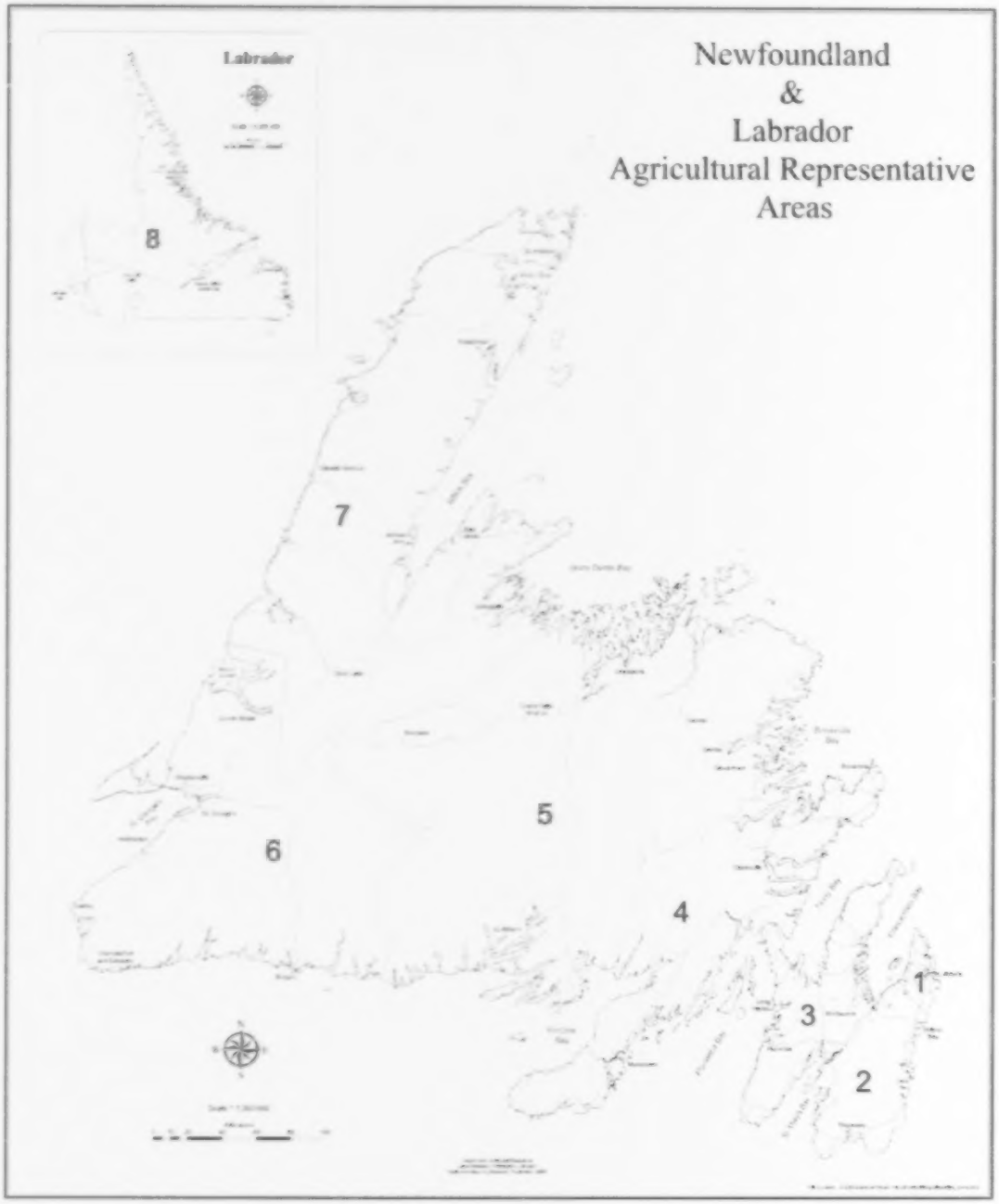
concern: the contents of a Certificate of Managed Land issued to the appellant; entries made with respect to the appellant in the Assessment Roll; the amount of tax payable by the appellant; or whether or not the appellant is even liable for taxation under Part III of the Act.

Timber Scalers Board - The Timber Scalers Board was created pursuant to the *Forestry Act (1990)*. Under section 124 of the Forestry Act, the duties of the Board are: to examine the ability and knowledge of persons who apply to be certified to scale timber; to hear appeals to scaling disputes; and to recommend to the Minister new scaling methods before they are used.

Newfoundland and Labrador Farm Products Corporation – The Newfoundland and Labrador Farm Products Corporation was created pursuant to the *Farm Products Corporation Act*. The Corporation has a mandate to establish abattoirs, cold storage plants, warehouses, packing and processing plants and other buildings and establishments of every kind necessary and suitable for the handling, preparation, processing and storage of farm products of every kind both animal and vegetable for the purpose of facilitating the development of farm products in the Province. Associated activities may include: making advances of livestock to farmers and livestock keepers, either for cash or on credit; employing instructors to instruct farmers and livestock keepers; purchasing, storing, processing, packing and selling farm products of every kind; and handling, storing and selling or advancing on credit animal feeding stuffs of every kind.

Appendix III: Forestry and Agriculture Management Districts




Newfoundland
&
Labrador
Agricultural Representative
Areas
Labrador
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